**Malayan Banking Berhad** (3813-K)
TEL: (6)03 2070 8833 | FAX: (6)03 2070 2611 | www.maybank2u.com

# Maybank

ANNUAL REPORT **2006**

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# CORPORATE VISION

TO BECOME FIRST CHOICE FINANCIAL PARTNER IN THE TARGET MARKETS AND COUNTRIES WE SERVE.

# CORE VALUES

## WE SERVE OUR CUSTOMERS BY:

- Enriching their experiences with us
- Developing long term and mutually beneficial relationships with them
- Placing a high value on their privacy and financial security

## WE VALUE OUR PEOPLE WHO ARE:

- Committed to excellence in everything they do
- Team players working together based on mutual respect, leadership by example and dignity in their dealings with everyone
- Ethical and uphold high levels of integrity

## WE ARE KNOWN AS AN ORGANISATION THAT:

- Consistently provides our shareholders with superior returns
- Focuses on sustainable and superior growth guided by sound financial discipline
- Operates in the most efficient and effective manner

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Non-Independent Non-Executive Chairman
**Tan Sri Mohamed Basir bin Ahmad** – P.S.M., J.S.M., D.P.C.M.

Independent Non-Executive Vice Chairman
**Dato' Richard Ho Ung Hun** – D.P.M.P.

Non-Independent Executive Director (President and CEO)
**Datuk Amirsham A Aziz** – P.J.N.

Non-Independent Executive Director (Deputy President and CFO)
**Dato' Mohammed Hussein** – D.J.M.K., J.P.

Non-Independent Executive Director (Deputy President)
**Md Agil bin Mohd Natt**
*(Resigned on 30 June 2006)*

Independent Non-Executive Director
**Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali**
– P.J.K., P.P.T., K.M.N., S.M.P., J.M.N., D.P.S.K., D.I.M.P., D.P.J., P.S.M., S.J.J., S.P.N.S.

Independent Non-Executive Director
**Mohammad bin Abdullah**

Independent Non-Executive Director
**Haji Mohd Hashir bin Haji Abdullah** – J.M.N., S.M.S., P.P.T.

Independent Non-Executive Director
**Teh Soon Poh**

Non-Independent Non-Executive Director
**Datuk Abdul Rahman bin Mohd Ramli** – P.J.N.

Independent Non-Executive Director
**Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor** – D.P.C.M., P.J.N., P.S.M.

Non-Independent Non-Executive Director
**Datuk Zainun Aishah binti Ahmad** – P.J.N., J.S.M., D.D.M.P., P.M.P., K.M.N.

## COMPANY SECRETARY

**Mohd Nazlan Mohd Ghazali** (LS0008977)

## REGISTERED OFFICE

14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur, Malaysia
Telephone : (6)03-20708833
Telex : MA 30438
Facsimile : (6)03-20702611
Cable : MAYBANK
SWIFT : MBBEMYKLA
Website : http://www.maybank2u.com
E-Mail : publicaffairs@maybank.com.my

## REGISTRAR

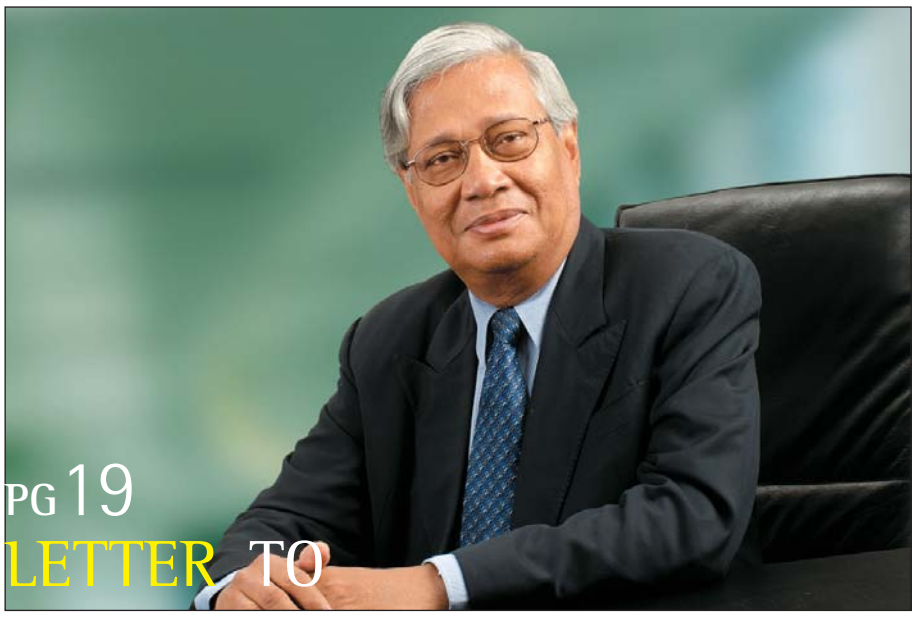
**Malayan Banking Berhad**
14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur, Malaysia

## STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad *(Listed since 17 February 1962)*

## EXTERNAL AUDITORS

**Messrs. Ernst & Young** (AF: 0039)
Chartered Accountants


PG 19

## LETTER TO SHAREHOLDERS

Maybank Group's performance for the year represented not only an additional milestone to the series of achievements we have attained but more importantly, it was a testament to our enduring ability to consistently deliver value to all our stakeholders.

PG 24

## STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors reaffirms its full commitment and supports the recommendations of the Malaysian Code on Corporate Governance in ensuring that the highest standards of corporate governance are being practised throughout the Maybank Group of Companies.

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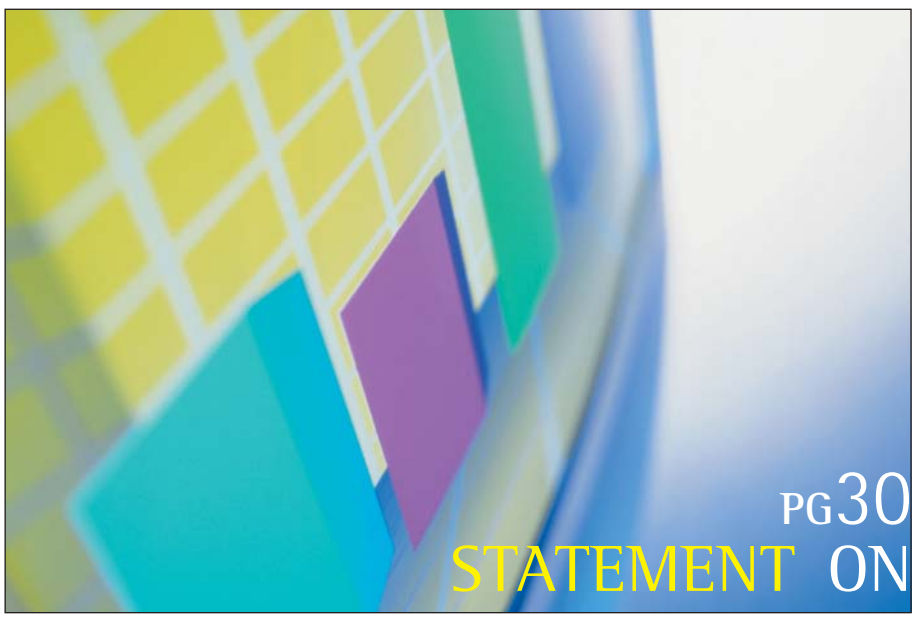
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## STATEMENT ON INTERNAL CONTROL

Safeguarding shareholder investments, customer interests and Group assets.

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## CODE OF ETHICS AND CONDUCT

Outlining standards of good banking practice.

# NOTICE OF 46th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 46TH ANNUAL GENERAL MEETING ("AGM") OF MALAYAN BANKING BERHAD ("MAYBANK"/"THE COMPANY") WILL BE HELD AT MAHKOTA BALLROOM, BALLROOM LEVEL, HOTEL ISTANA, 73, JALAN RAJA CHULAN, 50200 KUALA LUMPUR, ON SATURDAY, 30 SEPTEMBER 2006 AT 11.30 A.M. FOR THE FOLLOWING BUSINESSES:-

**AS ORDINARY BUSINESS:**

1. To receive the Audited Financial Statements for the financial year ended 30 June 2006 together with the Reports of the Directors and Auditors thereon.
**Ordinary Resolution 1**

2. To approve the payment of a Final Dividend of 35 sen per share less 28% income tax, for the financial year ended 30 June 2006 as recommended by the Board.
**Ordinary Resolution 2**

3. To re-elect the following Directors, each of whom retires by rotation in accordance with Articles 96 and 97 of the Company's Articles of Association:-
   i) Datuk Amirsham A Aziz **Ordinary Resolution 3**
   ii) Dato' Mohammed Hussein **Ordinary Resolution 4**
   iii) Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor **Ordinary Resolution 5**

4. To consider and, if thought fit, to pass the following resolutions in accordance with Section 129(6) of the Companies Act, 1965:-
   i) "That Dato' Richard Ho Ung Hun, retiring pursuant to Section 129 of the Companies Act, 1965, be re-appointed a Director of the Company to hold office until the next Annual General Meeting." **Ordinary Resolution 6**
   ii) "That Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali, retiring pursuant to Section 129 of the Companies Act, 1965, be re-appointed a Director of the Company to hold office until the next Annual General Meeting." **Ordinary Resolution 7**
   iii) "That Haji Mohd Hashir bin Haji Abdullah, retiring pursuant to Section 129 of the Companies Act, 1965, be re-appointed a Director of the Company to hold office until the next Annual General Meeting." **Ordinary Resolution 8**
   iv) "That Teh Soon Poh, retiring pursuant to Section 129 of the Companies Act, 1965, be re-appointed a Director of the Company to hold office until the next Annual General Meeting." **Ordinary Resolution 9**

5. To approve the payment of Directors' fees of RM1,261,938.31 for the financial year ended 30 June 2006 (FY2004/2005: RM734,386.31) and an increase in directors' meeting allowances for Board and Board Committees meetings from RM500 per meeting per director to RM750 per meeting per director effective from 1 January 2006. **Ordinary Resolution 10**

6. To re-appoint Messrs. Ernst & Young as Auditors of the Company for the financial year ending 30 June 2007 and to authorise the Directors to fix their remuneration.
**Ordinary Resolution 11**

**AS SPECIAL BUSINESS:**

To consider, and if thought fit, to pass the following ordinary resolution:-

7. AUTHORITY TO DIRECTORS TO ISSUE SHARES
"THAT subject always to the Companies Act, 1965, the Company's Articles of Association and approval of the relevant government/regulatory authorities, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being." **Ordinary Resolution 12**

8. To transact any other business of the Company for which due notice shall have been received in accordance with the Companies Act, 1965.

## NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT the Final Dividend of 35 sen per share less 28% income tax, for the financial year ended 30 June 2006, if approved by the shareholders, at the 46th Annual General Meeting, will be paid on 15 November 2006 to Depositors whose names appear in the Record of Depositors on 1 November 2006.

A depositor shall qualify for entitlement to the dividend only in respect of:-

A) Shares deposited into the Depositors' Securities Accounts before 12.30 p.m. on 30 October 2006 (in respect of shares exempted from mandatory deposit);

B) Shares transferred to the Depositors' Securities Accounts in respect of ordinary transfers before 4.00 p.m. on 1 November 2006; and

C) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

**BY ORDER OF THE BOARD**

MOHD NAZLAN MOHD GHAZALI
LS0008977
*Company Secretary*

Kuala Lumpur
8 September 2006

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## NOTES

1. The right of foreigners to vote in respect of securities is subject to Section 41(2) of the Securities Industry (Central Depositories) Act, 1991, the Securities Industry (Central Depositories) (Foreign Ownership) Regulations, 1996 and the Articles of Maybank.

2. A member entitled to attend and vote at the 46th Annual General Meeting is entitled to appoint a proxy to attend and on a show of hands or on a poll, to vote in his stead. A proxy shall be a member of the Company, an Advocate, an approved Company Auditor or a person approved by the Companies Commission of Malaysia. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is a corporation, under its common seal or in some other manner approved by its directors.

3. Duly completed Form of Proxy must be deposited at the Company's registered office at 14th Floor, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur by 28 September 2006 at 11.30 a.m.

4. For a Form of Proxy executed outside Malaysia, the signature must be attested by a Solicitor, Notary Public, Consul or Magistrate.

5. For scripless shareholders, only members registered in the Record of Depositors on or before 12.30 p.m., on 27 September 2006 shall be eligible to attend the AGM.

6. **Explanatory note on Special Business – Authority to Directors to Issue Shares**
   The proposed Ordinary Resolution 12, if passed, will give powers to the Directors to issue ordinary shares in the capital of the Company up to an aggregate amount not exceeding 10% of the issued and paid-up share capital of the Company for the time being without having to convene a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the next AGM.

7. **Statement Accompanying the Notice of Annual General Meeting**
   Additional information pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad is set out in Annexure A in Maybank's 2006 Annual Report.

ANNEXURE A

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

Directors who are standing for re-election and re-appointment at the 46th Annual General Meeting of Malayan Banking Berhad ("Maybank"/"the Company") which will be held at Mahkota Ballroom, Ballroom Level, Hotel Istana, 73, Jalan Raja Chulan, 50200 Kuala Lumpur, on Saturday, 30 September 2006 at 11.30 a.m. are:-

1. RE-ELECTION PURSUANT TO ARTICLE 96 and 97 OF THE COMPANY'S ARTICLES OF ASSOCIATION:-
   - i) Datuk Amirsham A Aziz **(Ordinary Resolution 3)**
   - ii) Dato' Mohammed Hussein **(Ordinary Resolution 4)**
   - iii) Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor **(Ordinary Resolution 5)**

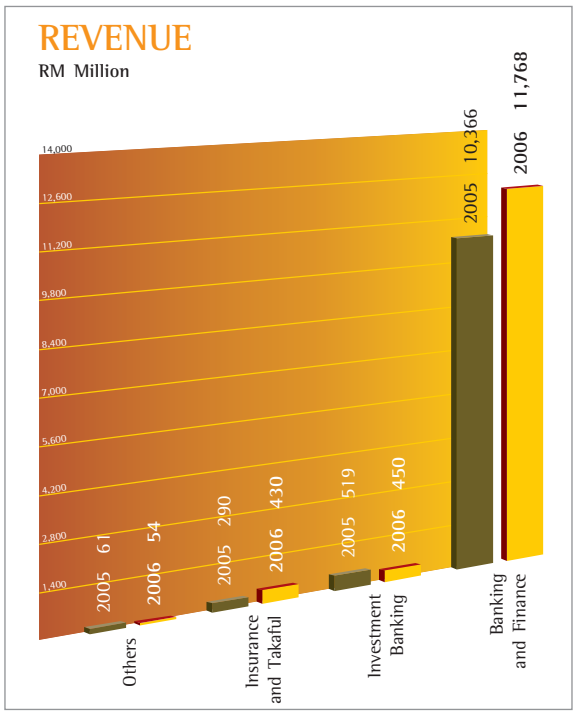
2. RE-APPOINTMENT PURSUANT TO SECTION 129(6), COMPANIES ACT, 1965
   - i) Dato' Richard Ho Ung Hun **(Ordinary Resolution 6)**
   - ii) Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali **(Ordinary Resolution 7)**
   - iii) Haji Mohd Hashir bin Haji Abdullah **(Ordinary Resolution 8)**
   - iv) Teh Soon Poh **(Ordinary Resolution 9)**

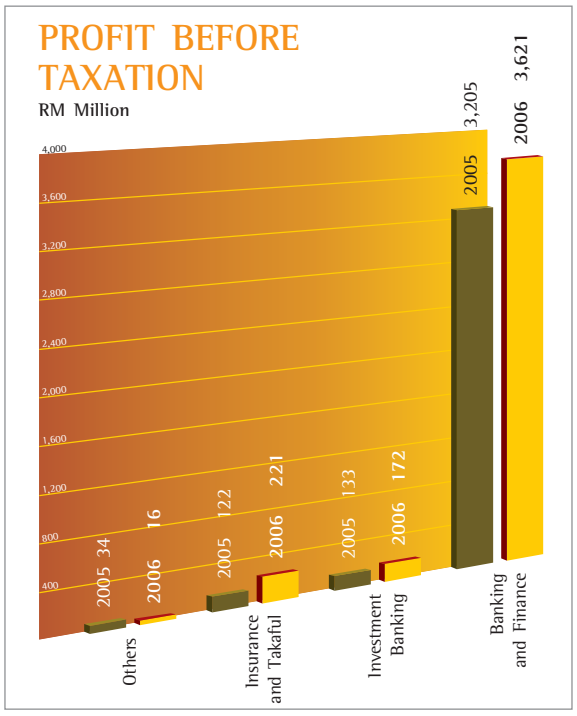
Please refer to the Profile of the Board of Directors on pages 11 to 15 of the Annual Report 2006 for further information on the abovenamed Directors who are standing for re-election and re-appointment.

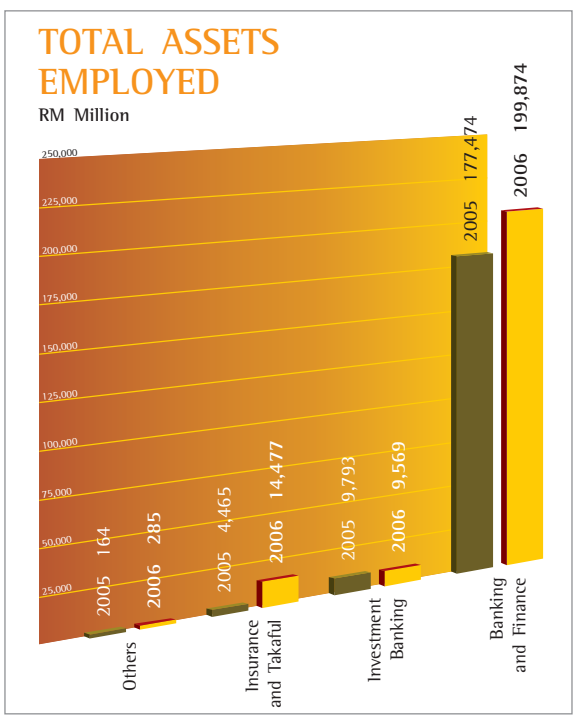
A total of eighteen (18) Board Meetings were held in the financial year ended 30 June 2006. Details of attendance at Board Meetings are as follows:-

| Directors | Attendance |
|---|---|
| Tan Sri Mohamed Basir bin Ahmad | 13/18 |
| Dato' Richard Ho Ung Hun | 18/18 |
| Datuk Amirsham A Aziz | 18/18 |
| Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali | 18/18 |
| Mohammad bin Abdullah | 16/18 |
| Haji Mohd Hashir bin Haji Abdullah | 17/18 |
| Teh Soon Poh | 18/18 |
| Datuk Abdul Rahman bin Mohd Ramli | 18/18 |
| Dato' Mohammed Hussein | 17/18 |
| Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor | 18/18 |
| Datuk Zainun Aishah binti Ahmad | 18/18 |
| Md Agil bin Mohd Natt *(Resigned on 30 June 2006)* | 17/18 |

# FINANCIAL HIGHLIGHTS



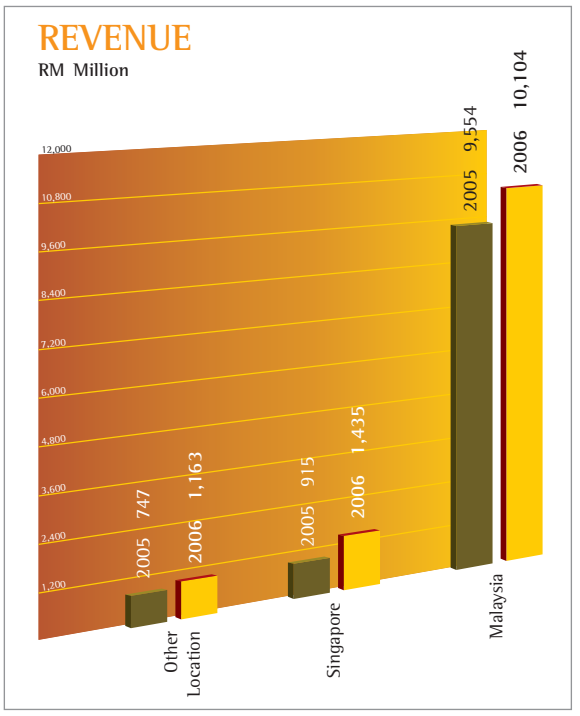




| | Group | | Bank | |
|---|---|---|---|---|
| | 2005 | 2006 | 2005 | 2006 |
| **PROFITABILITY** (RM Million) | | | | |
| Operating revenue | 11,216 | **12,702** | 12,632 | **11,559** |
| Operating profit | 4,319 | **4,915** | 6,614 | **4,524** |
| Profit before taxation | 3,494 | **4,031** | 5,318 | **3,577** |
| Profit after taxation and minority interests | 2,503 | **2,804** | 3,810 | **2,520** |
| **KEY BALANCE SHEET DATA** (RM Million) | | | | |
| Total assets | 191,895 | **224,205** | 175,434 | **197,057** |
| Securities portfolio | 28,261 | **33,722** | 22,128 | **26,890** |
| Loans, advances and financing | 119,594 | **131,454** | 115,482 | **127,848** |
| Total liabilities | 175,042 | **206,731** | 160,255 | **181,783** |
| Deposits from customers | 131,068 | **136,218** | 118,276 | **125,137** |
| Commitments and contingencies | 109,452 | **130,383** | 107,616 | **128,296** |
| Paid-up capital | 3,721 | **3,797** | 3,721 | **3,797** |
| Shareholders' equity | 16,401 | **16,766** | 15,179 | **15,274** |
| **SHARE INFORMATION** | | | | |
| Per share (sen) | | | | |
| Basic earnings | 68.4 | **74.4** | 104.1 | **66.9** |
| Diluted earnings | 67.9 | **74.1** | 103.4 | **66.6** |
| Gross dividend | 102.5 | **85.0** | 102.5 | **85.0** |
| Net tangible assets | 440.8 | **441.6** | 407.9 | **402.3** |
| **FINANCIAL RATIOS** (%) | | | | |
| Profitability Ratios | | | | |
| Net interest margin on average interest-earning assets | 2.9 | **2.8** | 3.0 | **2.4** |
| Net interest on average risk-weighted assets | 3.3 | **3.1** | 3.4 | **3.1** |
| Net return on average shareholders' funds | 16.1 | **16.9** | 27.9 | **16.6** |
| Net return on average assets | 1.3 | **1.3** | 2.4 | **1.4** |
| Net return on average risk-weighted assets | 1.9 | **1.9** | 3.4 | **1.8** |
| Cost to income ratio | 39.4 | **39.6** | 39.7 | **38.5** |
| **CAPITAL ADEQUACY RATIOS** (%) (after deducting proposed final dividend) | | | | |
| Based on credit risk: | | | | |
| Core capital ratio | 10.5 | **10.0** | 10.0 | **9.6** |
| Risk-weighted capital ratio | 14.2 | **14.3** | 12.8 | **12.8** |
| Based on credit and market risk: | | | | |
| Core capital ratio | 10.3 | **9.3** | 9.8 | **9.0** |
| Risk-weighted capital ratio | 13.8 | **13.3** | 12.6 | **11.9** |
| **ASSET QUALITY RATIOS** | | | | |
| Net non-performing loans ratio (3 month classification) (%) | 4.9 | **3.8** | 4.8 | **3.8** |
| Loan loss coverage (%) | 66.1 | **69.8** | 65.0 | **69.3** |
| Gross loan to deposit ratio (%) | 97.2 | **101.2** | 103.8 | **107.0** |
| Deposits to shareholders' funds (times) | 8.0 | **7.8** | 7.8 | **8.2** |
| **VALUATIONS ON SHARE** | | | | |
| Gross dividend yield (%) | 9.4 | **7.9** | – | – |
| Dividend payout ratio (%) | 112.7 | **82.7** | – | – |
| Price to earnings multiple (times) | 15.9 | **14.4** | – | – |
| Price to book multiple (times) | 2.5 | **2.4** | – | – |

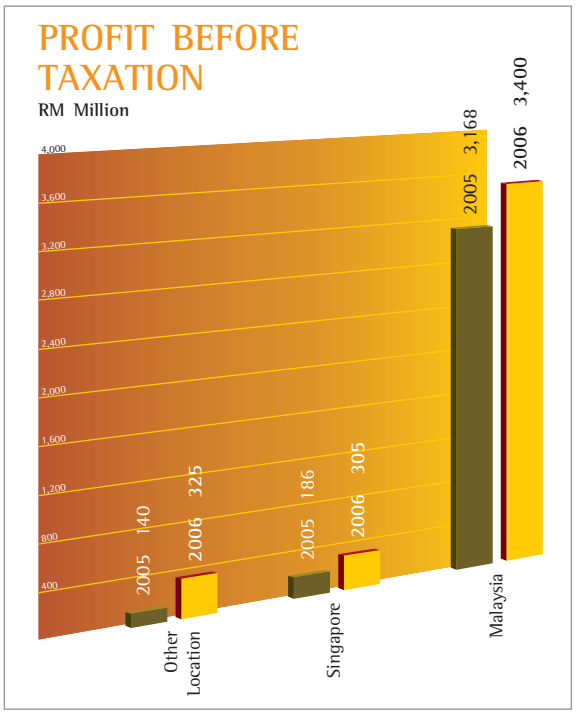
# segment information ANALYSIS BY ACTIVITY

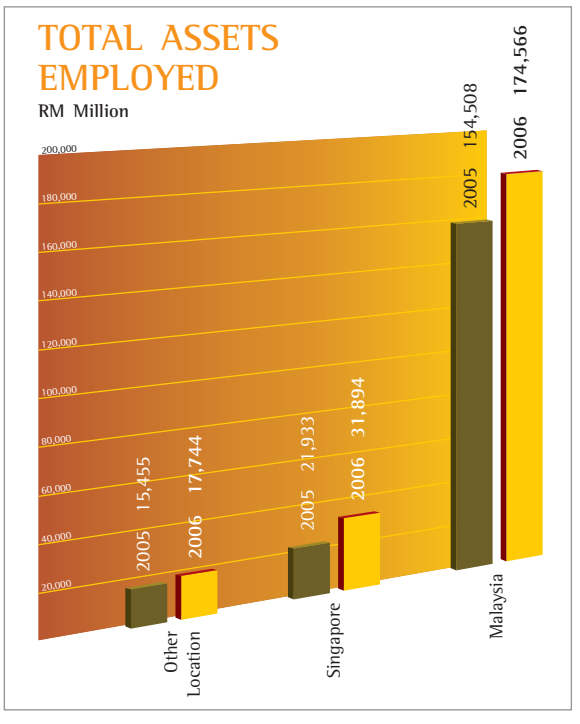
| | | 2005 | 2006 |
|---|---|---|---|
| **REVENUE** (RM'000) | | | |
| 1 | Banking and Finance | 10,366,214 | **11,768,017** |
| 2 | Investment Banking | 518,973 | **449,965** |
| 3 | Insurance and Takaful | 269,555 | **429,993** |
| 4 | Others | 61,145 | **53,773** |
| | | 11,215,887 | **12,701,748** |
| **PROFIT BEFORE TAXATION** (RM'000) | | | |
| 1 | Banking and Finance | 3,204,984 | **3,620,894** |
| 2 | Investment Banking | 132,924 | **172,228** |
| 3 | Insurance and Takaful | 122,450 | **221,330** |
| 4 | Others | 34,134 | **16,155** |
| | | 3,494,492 | **4,030,607** |
| **TOTAL ASSETS EMPLOYED** (RM'000) | | | |
| 1 | Banking and Finance | 177,473,628 | **199,874,232** |
| 2 | Investment Banking | 9,792,587 | **9,568,980** |
| 3 | Insurance and Takaful | 4,465,201 | **14,476,949** |
| 4 | Others | 163,844 | **285,165** |
| | | 191,895,260 | **224,205,326** |




# segment information ANALYSIS BY GEOGRAPHICAL LOCATION

| | | 2005 | 2006 |
|---|---|---|---|
| **REVENUE** (RM'000) | | | |
| 1 | Malaysia | 9,553,995 | **10,104,142** |
| 2 | Singapore | 914,738 | **1,435,106** |
| 3 | Other Locations | 747,153 | **1,162,500** |
| | | 11,215,887 | **12,701,748** |
| **PROFIT BEFORE TAXATION** (RM'000) | | | |
| 1 | Malaysia | 3,168,437 | **3,400,428** |
| 2 | Singapore | 185,672 | **304,987** |
| 3 | Other Locations | 140,383 | **325,192** |
| | | 3,494,492 | **4,030,607** |
| **TOTAL ASSETS EMPLOYED** (RM'000) | | | |
| 1 | Malaysia | 154,507,525 | **174,566,428** |
| 2 | Singapore | 21,932,831 | **31,894,468** |
| 3 | Other Locations | 15,454,904 | **17,744,430** |
| | | 191,895,260 | **224,205,326** |



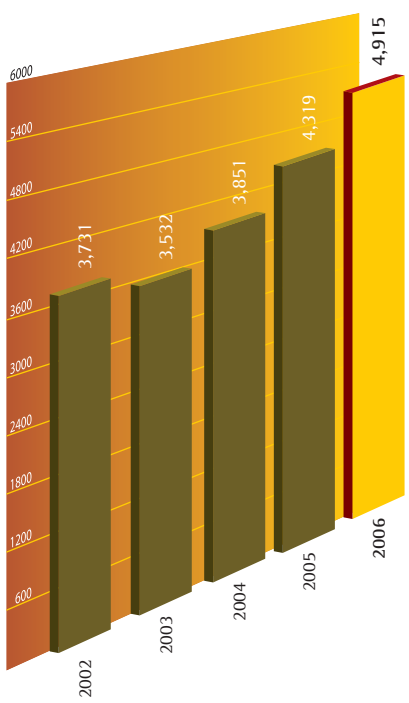
# FIVE YEAR GROUP FINANCIAL SUMMARY

| Year ended 30 June | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|
| **OPERATING RESULTS** (RM Million) | | | | | |
| Operating profit | 3,731 | 3,532 | 3,851 | 4,319 | **4,915** |
| Profit before taxation | 2,354 | 2,620 | 3,359 | 3,494 | **4,031** |
| Profit after taxation and minority interests | 1,659 | 1,996 | 2,425 | 2,503 | **2,804** |
| **KEY BALANCE SHEET DATA** (RM Million) | | | | | |
| Total assets | 150,656 | 160,955 | 179,507 | 191,895 | **224,205** |
| Loans, advances and financing | 95,529 | 102,606 | 109,294 | 119,594 | **131,454** |
| Total liabilities | 137,641 | 147,070 | 164,445 | 175,042 | **206,731** |
| Deposits from customers | 102,592 | 109,535 | 123,366 | 131,068 | **136,218** |
| Commitments and contingencies | 71,057 | 78,527 | 92,377 | 109,452 | **130,383** |
| Paid-up capital | 3,550 | 3,589 | 3,600 | 3,721 | **3,797** |
| Shareholders' equity | 12,658 | 13,485 | 14,623 | 16,401 | **16,766** |
| **SHARE INFORMATION** | | | | | |
| Per share (sen) | | | | | |
| Basic earnings | 46.7 | 55.9 | 67.3 | 68.4 | **74.4** |
| Diluted earnings | 46.4 | 55.9 | 67.3 | 67.9 | **74.1** |
| Gross dividend | 12.0 | 52.0 | 60.0 | 102.5 | **85.0** |
| Net tangible assets | 356.6 | 375.7 | 406.2 | 452.9 | **441.6** |
| Share price as at 30 June (RM) | 8.80 | 8.60 | 10.10 | 10.90 | **10.70** |
| Market capitalisation (RM Million) | 31,240 | 30,865 | 36,360 | 40,559 | **40,626** |
| **FINANCIAL RATIOS** (%) | | | | | |
| Profitability Ratios/Market Share | | | | | |
| Net interest margin on average interest-earning assets | 3.1 | 3.0 | 2.9 | 2.9 | **2.8** |
| Net interest on average risk-weighted assets | 3.9 | 3.7 | 3.8 | 3.3 | **3.1** |
| Net return on average shareholders' funds | 14.6 | 16.6 | 18.8 | 17.4 | **18.1** |
| Net return on average assets | 1.1 | 1.3 | 1.4 | 1.3 | **1.3** |
| Net return on average risk-weighted assets | 1.5 | 1.7 | 2.0 | 1.9 | **1.9** |
| Cost income ratio | 36.9 | 39.9 | 40.2 | 39.4 | **39.6** |
| Gross loan to deposit ratio | 102.6 | 102.7 | 96.0 | 97.2 | **101.2** |
| Net non-performing loans ratio (3-month classification) | 7.2 | 6.2 | 6.0 | 4.9 | **3.8** |
| Domestic market share in: | | | | | |
| Loans, advances and financing | 20.8 | 21.1 | 20.6 | 20.4 | **20.3** |
| Deposits from customers – Savings Account | 30.7 | 30.3 | 29.8 | 29.1 | **28.9** |
| Deposits from customers – Current Account | 22.8 | 23.2 | 22.7 | 22.4 | **21.1** |
| **CAPITAL ADEQUACY RATIOS** (%) (after deducting proposed final dividend) | | | | | |
| Based on credit risk: | | | | | |
| Core capital ratio | 10.3 | 10.2 | 10.3 | 10.5 | **10.0** |
| Risk-weighted capital ratio | 15.6 | 15.3 | 15.1 | 14.2 | **14.3** |
| Based on credit and market risk: | | | | | |
| Core capital ratio | ** | ** | ** | 10.3 | **9.3** |
| Risk-weighted capital ratio | ** | ** | ** | 13.8 | **13.3** |
| **VALUATIONS ON SHARE** | | | | | |
| Gross dividend yield (%) | 1.4 | 6.0 | 5.9 | 9.4 | **7.9** |
| Dividend payout ratio (%) | 18.5 | 79.7 | 64.2 | 112.7 | **82.7** |
| Price to earnings multiple (times) | 18.8 | 15.4 | 15.0 | 15.9 | **14.4** |

** The Bank Negara Malaysia Guidelines on Market Risk Capital Adequacy Framework are effective from 1 April 2005.

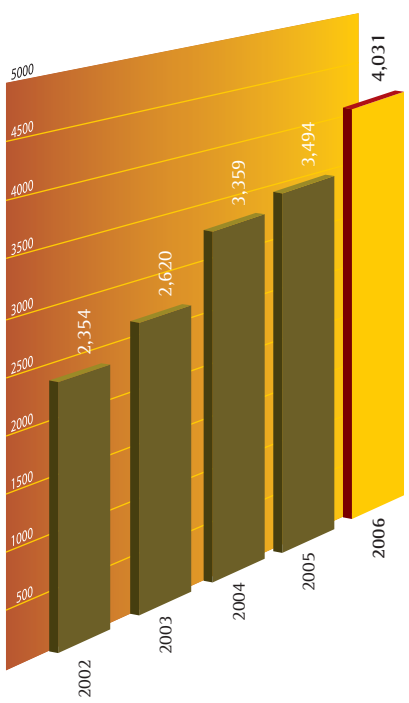
## OPERATING PROFIT

RM Million



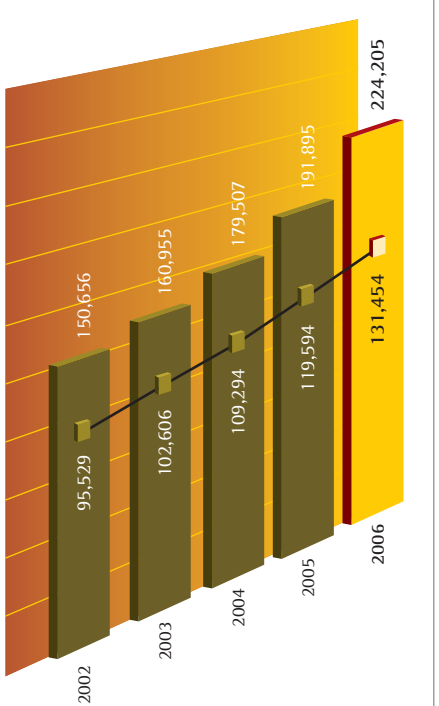

## PROFIT BEFORE TAXATION

RM Million



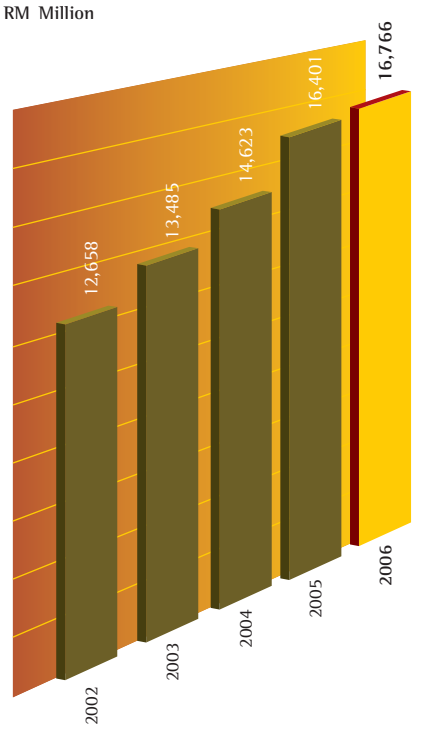

## TOTAL ASSETS AND LOANS, ADVANCES AND FINANCING

RM Million




## SHAREHOLDERS' EQUITY

RM Million




# FINANCIAL CALENDAR

**26.8.2005**

Announcement of the audited results of Maybank and of the Group and announcement of the final and special dividend for the year ended 30.6.2005

**16.9.2005**

Notice of the 45th Annual General Meeting, Notice of Dividend Payment and Book Closure and issuance of annual report for the financial year ended 30.6.2005

Notice of Extraordinary General Meeting

**8.10.2005**

45th Annual General Meeting

Extraordinary General Meeting

**10 and 11.11.2005**

Book closure for determining the entitlement of the dividends

**17.11.2005**

Announcement of the unaudited results of Maybank and of the Group for the first quarter of the financial year ending 30.6.2006

**23.11.2005**

Date of payment of the final dividend of 25 sen per share (less 28% Malaysian Income Tax) and a special dividend of 35 sen per share (less 28% Malaysian Income Tax) in respect of the financial year ended 30.6.2005

**29 and 30.12.2005**

Book closure for determining the entitlement of the dividends

**16.1.2006**

Date of payment of the interim dividend of 50 sen per share (less 28% Malaysian Income Tax) in respect of the financial year ended 30.6.2006

**15.2.2006**

Announcement of the unaudited results of Maybank and of the Group for the half year ended 31.12.2005

**15.5.2006**

Announcement of the unaudited results of Maybank and of the Group for the third quarter of the financial year ending 30.6.2006

**24.8.2006**

Announcement of the audited results of Maybank and of the Group and announcement of the final dividend for the financial year ended 30.6.2006

**8.9.2006**

Notice of the 46th Annual General Meeting, Notice of Dividend Payment and Book Closure and issuance of annual report for the financial year ended 30.6.2006

**30.9.2006**

46th Annual General Meeting

**2 and 3.11.2006**

Book closure for determining the entitlement of the dividends

**15.11.2006**

Date of payment of the final dividend of 35 sen per share (less 28% Malaysian Income Tax) in respect of the financial year ended 30.6.2006

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# BOARD OF DIRECTORS

## TAN SRI MOHAMED BASIR BIN AHMAD

### CHAIRMAN

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

(68 years of age – Malaysian) B.A., AMP (Harvard), D. Com Sc

Tan Sri Mohamed Basir bin Ahmad was appointed as a Director of Maybank on 5 August 1993 and as Chairman of Maybank on 9 October 1993. He also serves as Chairman of the Strategic Planning and Credit Review Committees of the Board.

He joined Bank Negara Malaysia in 1965 and had served the Central Bank in various capacities before retiring in 1993 as Advisor. He is a Fellow member of the Malaysian Institute of Bankers since 1980.

He is also the Chairman of several companies in the Maybank Group which include Mayban Fortis Holdings Berhad, Aseambankers Malaysia Berhad, MNI Holdings Berhad, Takaful Nasional Sdn Bhd, PT Bank Maybank Indocorp, Maybank Philippines Incorporated and PhileoAllied Securities (Philippines) Incorporated.

He attended 13 out of the 18 Board Meetings held in the financial year.

Tan Sri Mohamed Basir bin Ahmad has no family relationship with any director and is a nominee of Permodalan Nasional Berhad, a major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence. E

## DATO' RICHARD HO UNG HUN

### VICE CHAIRMAN

INDEPENDENT NON-EXECUTIVE DIRECTOR

(79 years of age – Malaysian) Barrister at Law (Lincoln's Inn)

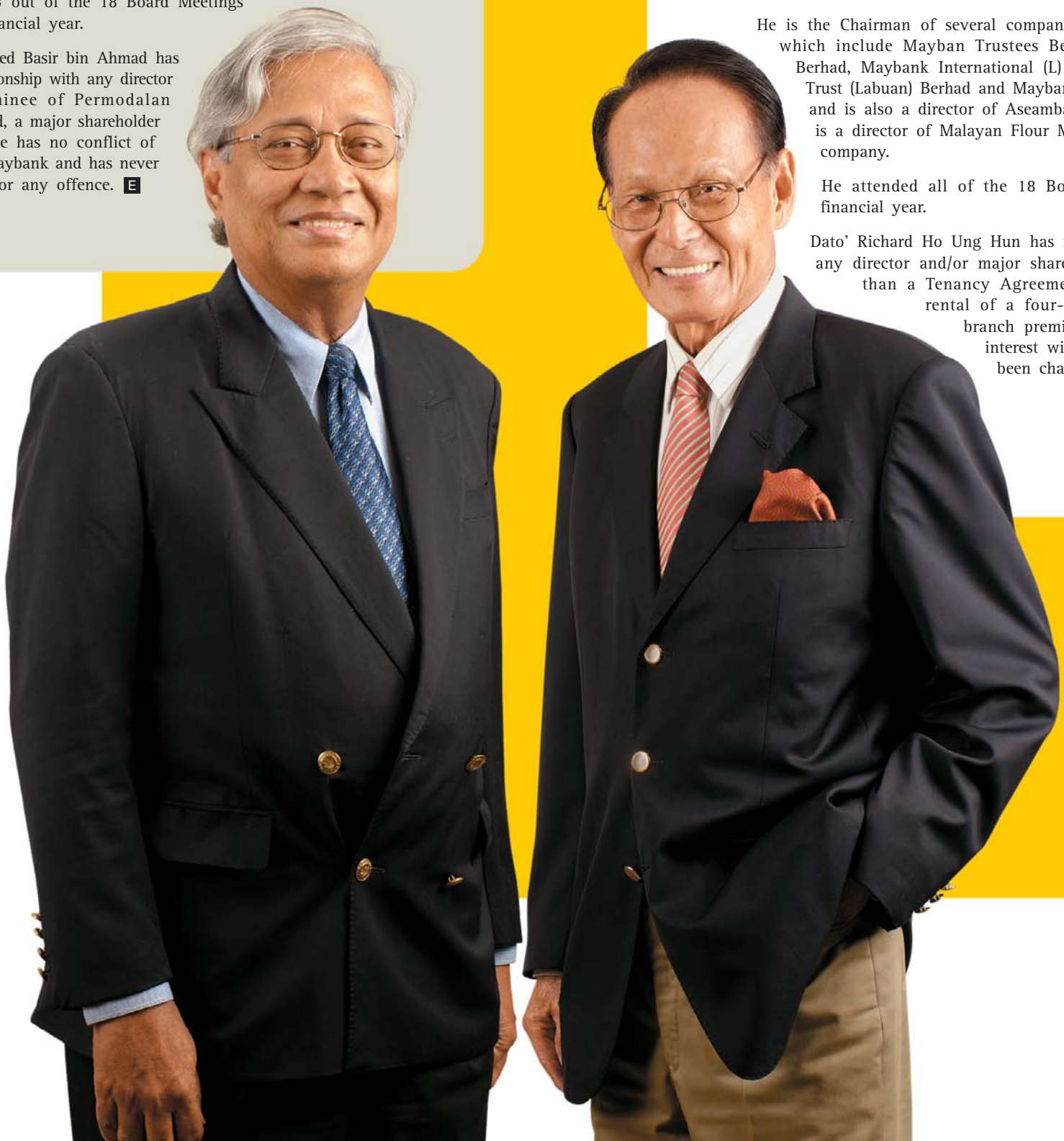
Dato' Richard Ho Ung Hun was appointed as Vice-Chairman and Director of Maybank on 27 January 1983. He is the Chairman of the Employee Share Option Scheme Committee and a member of the Credit Review Committee of the Board.

He served as a Member of Parliament from 1969 to 1982. He was appointed as Deputy Minister of Road Transport in 1974 and subsequently as Deputy Minister of Finance in 1976. In 1978, he was the Minister without Portfolio in the Prime Minister's Department and subsequently named as the then Minister of Labour and Manpower in the same year.

He is the Chairman of several companies in the Maybank Group which include Mayban Trustees Berhad, Mayban Unit Trust Berhad, Maybank International (L) Ltd, Mayban International Trust (Labuan) Berhad and Mayban International Trust (L) Ltd and is also a director of Aseambankers Malaysia Berhad. He is a director of Malayan Flour Mills Berhad, a public listed company.

He attended all of the 18 Board Meetings held in the financial year.

Dato' Richard Ho Ung Hun has no family relationship with any director and/or major shareholder of Maybank. Other than a Tenancy Agreement with Maybank on the rental of a four-storey shophouse used as branch premises, he has no conflict of interest with Maybank and has never been charged for any offence. E



## DATUK AMIRSHAM A AZIZ

### PRESIDENT AND CEO

NON-INDEPENDENT EXECUTIVE DIRECTOR

(55 years of age – Malaysian) B.Econs (Hons), Member of MICPA

Datuk Amirsham A Aziz was appointed as an Executive Director of Maybank on 18 August 1993 and as Managing Director on 1 May 1994. He is also the President and Chief Executive Officer of Maybank. He joined the Maybank Group in 1977 and has worked in various capacities within the Group. He serves as a member of the Strategic Planning and Credit Review Committees of the Board. He is also the Chairman of the Group Management Committee.

He is the Chairman of ASEAN Finance Corporation Ltd and Malaysian Electronic Payment System (1997) Sdn Berhad. His directorships in companies in the Maybank Group include Aseambankers Malaysia Berhad and Mayban Fortis Holdings Berhad. His directorships in other companies are in Cagamas Berhad and Perbadanan Usahawan Nasional Berhad.

He is a Council Member of the Association of Banks in Malaysia, Vice Chairman of the Institute of Bankers Malaysia and a director of Islamic Banking and Finance Institute Malaysia Sdn Bhd, Asian Pacific Bankers Club as well as the Institute of International Finance. He is also a member of the Advisory Board of the Pacific Rim Bankers Program.

He attended all of the 18 Board Meetings held in the financial year.

Datuk Amirsham A Aziz has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence. E

## DATO' MOHAMMED HUSSEIN

### DEPUTY PRESIDENT AND CFO

NON-INDEPENDENT EXECUTIVE DIRECTOR

(55 years of age – Malaysian) Bachelor of Commerce (Accounting), AMP (Harvard)

Dato' Mohammed Hussein was appointed as an Executive Director of Maybank on 1 November 2000. He is the Deputy President and Chief Financial Officer of Maybank. He joined the Maybank Group in 1977 and has worked in various capacities within the Group, including as Managing Director of Aseambankers Malaysia Berhad. He also serves as a member of the Strategic Planning Committee of the Board.

His directorships in companies in the Maybank Group include Aseambankers Malaysia Berhad, PT Bank Maybank Indocorp and Mayban Securities Sdn Bhd. He is also a director of Pelaburan Hartanah Nasional Berhad.

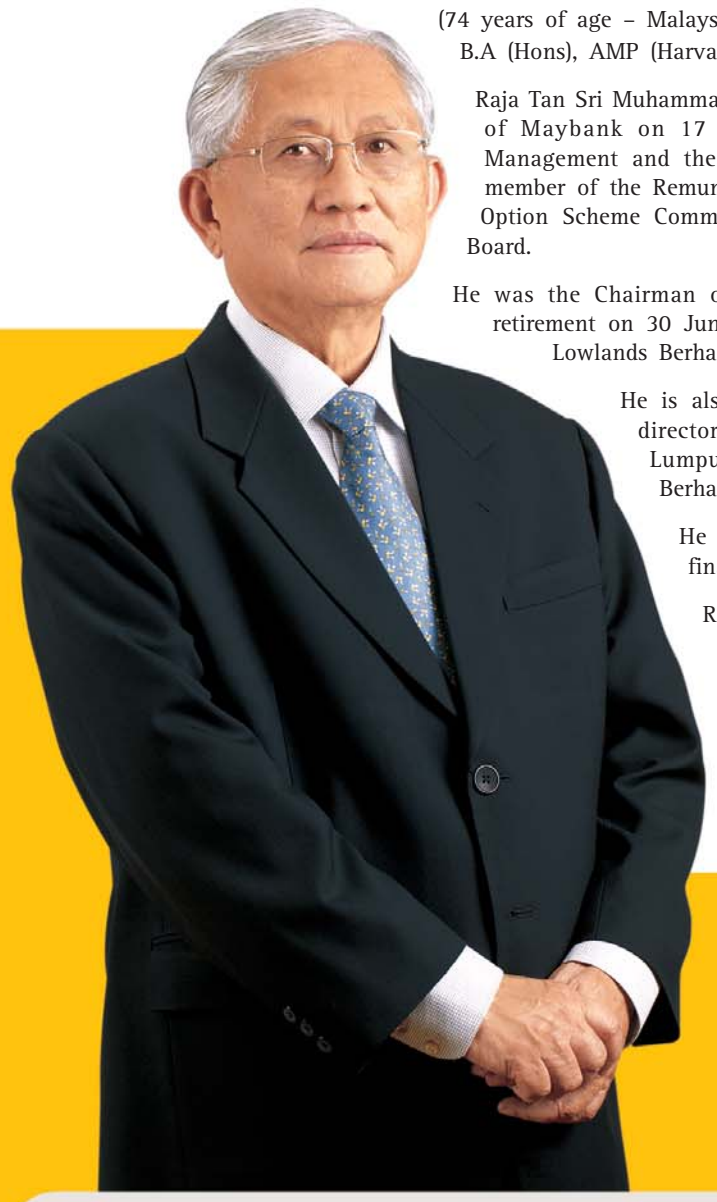
He attended 17 out of the 18 Board Meetings held during the financial year.

Dato' Mohammed Hussein has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence. E

# RAJA TAN SRI MUHAMMAD ALIAS BIN RAJA MUHD. ALI

## INDEPENDENT NON-EXECUTIVE DIRECTOR

(74 years of age – Malaysian)
B.A (Hons), AMP (Harvard), D.Sc. (Hon), D.Econ. (Hon)



Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali was appointed as a Director of Maybank on 17 March 1978. He serves as Chairman of the Risk Management and the Nomination Committees of the Board. He is also a member of the Remuneration and Establishment Committee, Employee Share Option Scheme Committee as well as Strategic Planning Committee of the Board.

He was the Chairman of Federal Land Development Authority prior to his retirement on 30 June 2001. He is currently the Chairman of Highlands & Lowlands Berhad and Sime Plantations Sdn Bhd.

He is also a director of Mayban Fortis Holdings Berhad. His directorships in other public listed companies are in Kuala Lumpur Kepong Berhad, Batu Kawan Berhad, Sime Darby Berhad and Kumpulan Guthrie Berhad.

He attended all of the 18 Board Meetings held in the financial year.

Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence. E

# MOHAMMAD BIN ABDULLAH

## INDEPENDENT NON-EXECUTIVE DIRECTOR

(65 years of age – Malaysian) Member of MICPA, Member of MIA

Mohammad bin Abdullah was appointed as a Director of Maybank on 11 January 1995. He serves as Chairman of the Remuneration and Establishment and the Audit Committees and member of the Employee Share Option Scheme, Nomination and Strategic Planning Committees of the Board.

He was the Chairman of Coopers & Lybrand Malaysia prior to his retirement in 1995 and he is currently the Chairman of Negara Properties (M) Berhad, MNRB Holdings Berhad, Malaysia Rating Corporation Berhad, Labuan Reinsurance (L) Limited and Malaysian Reinsurance Berhad.

His directorships in companies in the Maybank Group include Maybank International (L) Ltd and Aseambankers Malaysia Berhad. His directorships in other public companies are in Golden Hope Plantations Berhad, MIMOS Berhad and Malaysian Bulk Carriers Berhad.

He attended 16 out of the 18 Board Meetings held in the financial year.

Mohammad bin Abdullah has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence. E

## HAJI MOHD HASHIR BIN HAJI ABDULLAH

### INDEPENDENT NON-EXECUTIVE DIRECTOR

(70 years of age – Malaysian) ACA (Aust), ACIS (UK), Member of MICPA, FCMI (UK), FCIT (UK), AMP (Harvard)

Haji Mohd Hashir bin Haji Abdullah was appointed as a Director of Maybank on 7 November 1996. He serves as a member of the Audit, Nomination, Credit Review and Risk Management Committees of the Board.

He was the General Manager and Chief Executive Officer of Kelang Port Authority prior to his retirement in 1991.

His directorships in companies in the Maybank Group include Mayban Unit Trust Berhad, PT Bank Maybank Indocorp, Mayban-JAIC Capital Management Sdn Bhd and Mayban Securities Sdn Bhd. He is also the Chairman of Mayban Investment Management Sdn Bhd, Mayban Ventures Sdn Bhd as well as Mayban Venture Capital Company Sdn Bhd.

He attended all of the 18 Board Meetings held in the financial year.

Haji Mohd Hashir bin Haji Abdullah has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence. E

## TEH SOON POH

### INDEPENDENT NON-EXECUTIVE DIRECTOR

(70 years of age – Malaysian) Barrister at Law (Middle Temple)

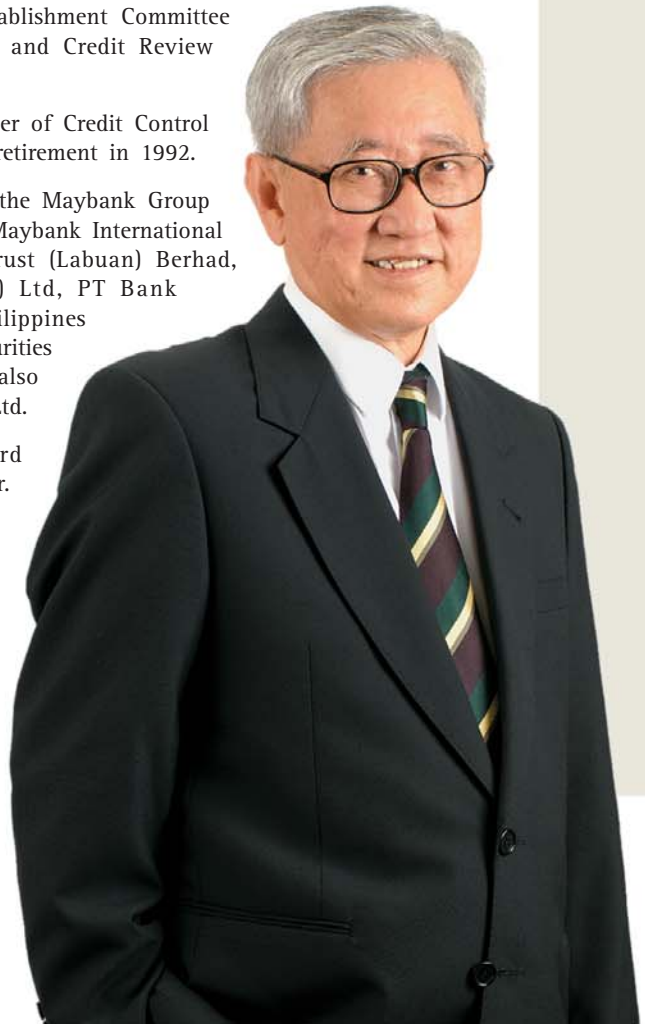
Teh Soon Poh was appointed as a Director of Maybank on 21 October 1997. He serves as a member of the Audit Committee, Remuneration and Establishment Committee as well as the Risk Management and Credit Review Committees of the Board.

He was the former General Manager of Credit Control Division of Maybank prior to his retirement in 1992.

His directorships in companies in the Maybank Group include Mayban Trustees Berhad, Maybank International (L) Ltd, Mayban International Trust (Labuan) Berhad, Mayban International Trust (L) Ltd, PT Bank Maybank Indocorp, Maybank Philippines Incorporated and PhileoAllied Securities (Philippines) Incorporated. He is also the Chairman of Maybank (PNG) Ltd.

He attended all of the 18 Board Meetings held in the financial year.

Teh Soon Poh has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence. E



## DATUK ABDUL RAHMAN BIN MOHD RAMLI

### NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

(67 years of age – Malaysian)
ACA (Aust), Member of MICPA, Member of MIA

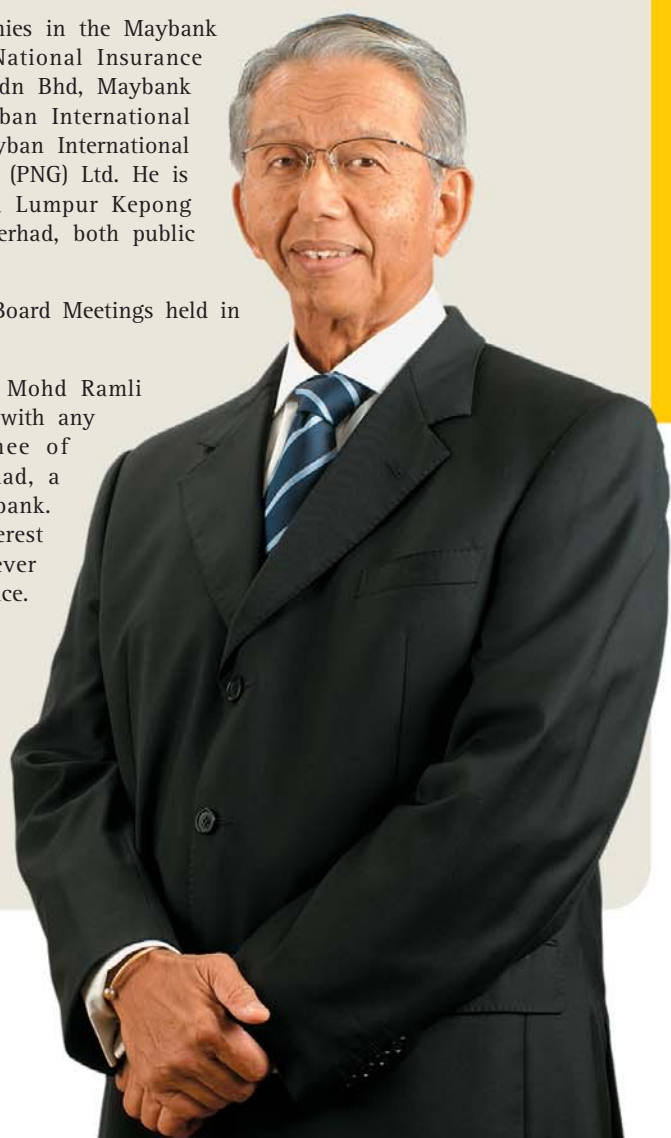
Datuk Abdul Rahman bin Mohd Ramli was appointed as a Director of Maybank on 17 November 1999. He serves as a member of the Remuneration and Establishment Committee, Credit Review Committee as well as the Nomination and Strategic Planning Committees of the Board.

He was the Group Chief Executive of Golden Hope Plantations Berhad prior to his retirement in 1999.

His directorships in companies in the Maybank Group include Malaysia National Insurance Berhad, Takaful Nasional Sdn Bhd, Maybank International (L) Ltd, Mayban International Trust (Labuan) Berhad, Mayban International Trust (L) Ltd and Maybank (PNG) Ltd. He is also the director of Kuala Lumpur Kepong Berhad and DRB-HICOM Berhad, both public listed companies.

He attended all of the 18 Board Meetings held in the financial year.

Datuk Abdul Rahman bin Mohd Ramli has no family relationship with any director and is a nominee of Permodalan Nasional Berhad, a major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence. E



## TAN SRI DATO' MEGAT ZAHARUDDIN BIN MEGAT MOHD NOR

INDEPENDENT NON-EXECUTIVE DIRECTOR

(57 years of age – Malaysian) B.Sc (Hons) in Mining Engineering

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor was appointed as a Director of Maybank on 19 July 2004. He serves as a member of the Nomination, Strategic Planning and Employee Share Option Scheme Committees of the Board.

He was the Regional Business CEO/Managing Director of Shell Exploration and Production International B.V. (Netherlands) prior to his retirement in January 2004 and is currently the Chairman of Maxis Communications Berhad.

His directorships in companies in the Maybank Group include Mayban Fortis Holdings Berhad and MNI Holdings Berhad as well as Chairman of Malaysia National Insurance Berhad, Mayban Life Assurance Berhad, Mayban General Assurance Berhad, Mayban Takaful Berhad, Mayban Life International (L) Ltd, MNI Offshore Insurance (L) Ltd and MNI Life International (Labuan) Ltd. He is also a director of the International Centre for Leadership in Finance and the Capital Market Development Fund.

He attended all of the 18 Board Meetings held in the financial year.

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence. E

## DATUK ZAINUN AISHAH BINTI AHMAD

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

(60 years of age – Malaysian) BA (Hons) (Econs)

Datuk Zainun Aishah binti Ahmad was appointed as a director of Maybank on 13 July 2005. She serves as a member of the Audit and Risk Management Committees of the Board.

She was the Director General of Malaysian Industrial Development Authority and a member of various committees/authorities at national level, including being a member of the National Committee on Business Competitiveness, Malaysia Incorporated and the National Project Director for Majlis Penyelarasan Perindustrian (ICC) before retiring in September 2004.

Her directorships in companies in the Maybank Group include Mayban Discount Berhad and Mayban Ventures Sdn Berhad. She is also the Chairman of Scomi Engineering Berhad, Deputy Chairman of Dunham-Bush (Malaysia) Berhad and a director of Microlink Solutions Berhad, all public listed companies.

She attended all of the 18 Board Meetings held in the financial year.

Datuk Zainun Aishah binti Ahmad has no family relationship with any director and is a nominee of Permodalan Nasional Berhad, a major shareholder of Maybank. She has no conflict of interest with Maybank and has never been charged for any offence. E

## MOHD NAZLAN MOHD GHAZALI

EXECUTIVE VICE PRESIDENT, GENERAL COUNSEL & COMPANY SECRETARY

Mohd Nazlan Mohd Ghazali was a Partner and Head of Equity Capital Markets at Zaid Ibrahim & Co before joining Maybank in 2005. Prior to that he was with the Securities Commission for about 7 years until 2000 and his last position was the General Manager of the Enforcement Division.

He graduated with a Bachelor of Arts in Jurisprudence and a Master of Arts from University of Oxford and is a Barrister at Law of Lincoln's Inn. E

# MANAGEMENT

## DATUK AMIRSHAM A AZIZ

Graduated with a Bachelor of Economics (Honours) degree, majoring in Accounting, from the University of Malaya in 1973 and member of the Malaysian Institute of Certified Public Accountants (MICPA). Joined the Group in 1977 and is currently the President and Chief Executive Officer of Maybank.

## DATO' MOHAMMED HUSSEIN

Graduated with a Bachelor of Commerce degree majoring in Accounting from the University of Newcastle, Australia in 1972. Attended the Advanced Management Program, Harvard University, USA. Joined the Group in 1977 and is currently the Deputy President and Chief Financial Officer.

## SPENCER LEE TIEN CHYE

Fellow of the Institute of Chartered Accountants (England and Wales). Joined the Group in 1975. He is currently Senior Executive Vice President and Head of Consumer Banking.

## DATUK JOHAR CHE MAT

Graduated with a Bachelor's degree in Economics from the University of Malaya in 1975. Joined the Group in 1975 and served in various capacities and positions. He is Senior Executive Vice President and is currently the Chief Operating Officer.

## SURACHET CHAIPATAMANONT

Graduated with a Bachelor of Science in Electrical Engineering and Master of Science, Operations Research in Finance from Columbia University, USA. Joined the Group in 2005 and is currently the Chief Executive Officer and Director of Aseambankers Malaysia Berhad and Head of Corporate Investment Banking.

## AMINUDDIN MD DESA

Graduated with an Advanced Diploma in Business Studies in 1985 and an Associate of the Chartered Institute of Insurance, UK as well as an Associate of the Malaysian Insurance Institute. Joined the Group in 2005 and is currently the Chief Executive Officer and Director of Mayban Fortis Holdings Berhad and Head of Insurance and Takaful.

## JAMALUDIN NASIR

Holds a Bachelor's Degree in Economics and Bachelor of Science in Finance and Business Economics from Southern Illinois University, USA as well as a Masters Degree in Business Administration from Texas A & M International University, USA. Joined Maybank in June 2005. He is currently Senior Executive Vice President and Chief Credit Officer, Group Credit Management.

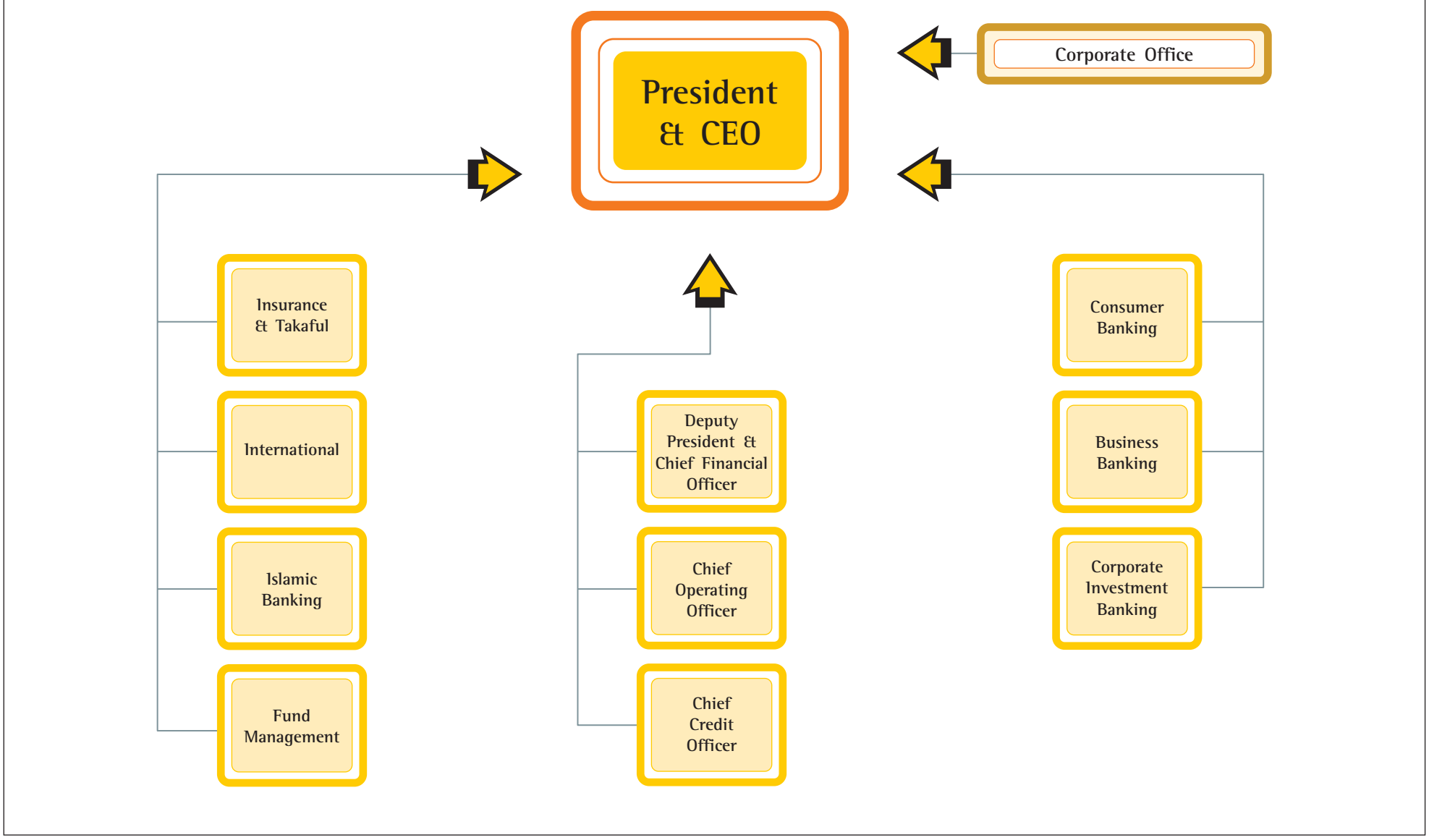
## ROZIDIN MASARI

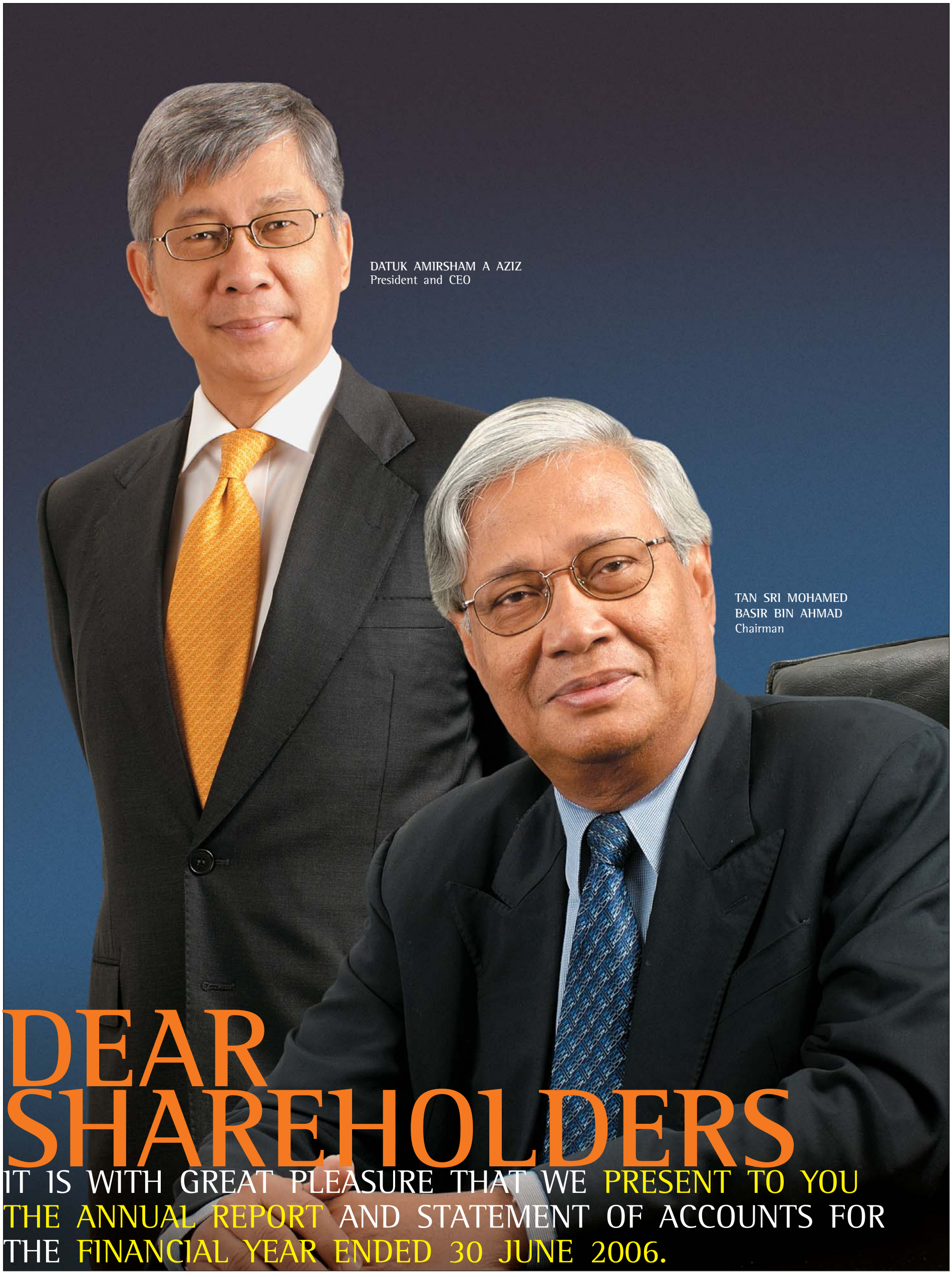
Graduated with a Bachelor's Degree in Business Administration (Marketing) from Eastern Michigan University, Michigan, USA. Joined Maybank Group in 1984 and is currently Senior Executive Vice President and Head of Business Banking.

## LIM HONG TAT

Graduated with a Bachelor of Economics (Business Administration) (Honours) degree from the University of Malaya in 1981. Joined the Group in 1981 and served various capacities and positions. He is Executive Vice President and is currently Head of International.

# ORGANISATION STRUCTURE






# DEAR SHAREHOLDERS

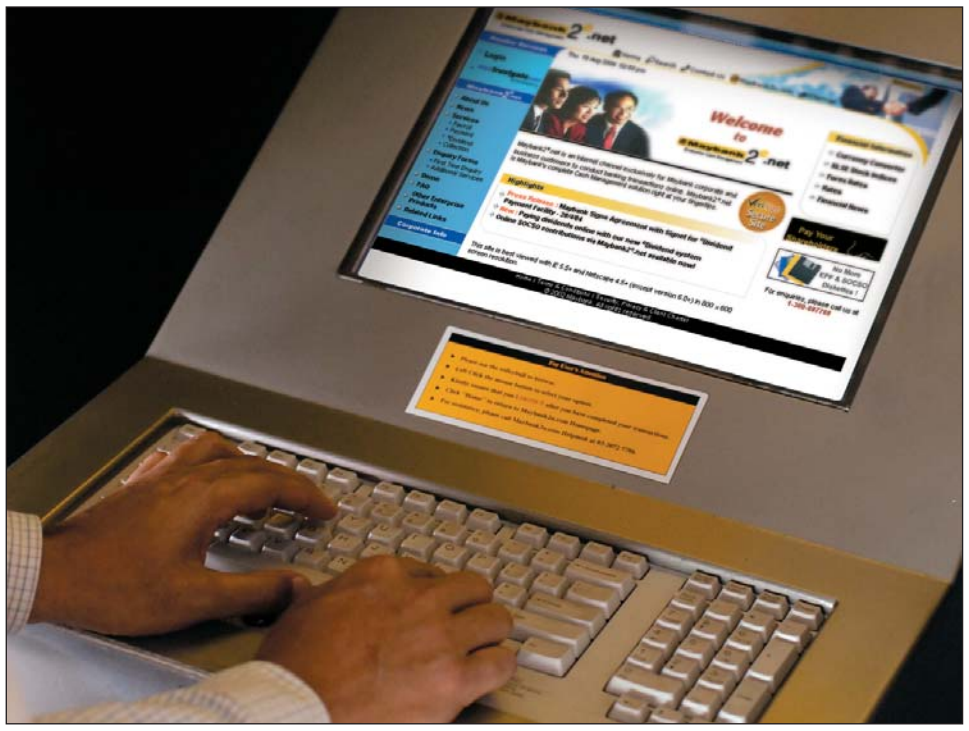
IT IS WITH GREAT PLEASURE THAT WE PRESENT TO YOU THE ANNUAL REPORT AND STATEMENT OF ACCOUNTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006.

CONTINUES ON PAGE 20

# INTRODUCTION

The Group's performance for the year represented not only an additional milestone to the series of achievements we have attained but more importantly, it was a testament to our enduring ability to consistently deliver value to all our stakeholders. In an increasingly volatile business environment and more demanding customers' expectations, we remained ahead of our competitors. This competitive strength was the single most important factor that raised our net profit by 12.0% for the year ended 30 June 2006.

As the largest financial institution in Malaysia, Maybank's stakeholders traverse beyond the geographical boundary of the nation. From retail investors and global institutional funds that form our investor base, Maybank's interest groups also include widely diverse customer segments, employees, regulatory authorities as well as the public at large. For each of them, although value creation manifested itself in many different forms, they radiated from one single source – a dominant business franchise built upon a strong commitment to excellent service quality.




## VALUE TO THE SHAREHOLDERS

For the year ended 30 June 2006, Maybank Group recorded a net profit of RM2.80 billion against RM2.50 billion in the preceding financial year. This was realised on the back of a 14.0% increase in net income and a lower proportion of revenue leakages due to provisions for loan losses when compared with financial year 2005. During the year, the ratio of loan loss provisions to interest income was 10.0% against 10.9% during the previous period. Based on this performance, the net return on equity for Maybank Group, adjusted for deferred tax assets, improved from 17.4% in financial year 2005 to 18.1%. Hence, despite challenging business conditions, the Group exceeded its Key Performance Indicators (KPI) and concurrently, enhanced the fundamental value of its equity holdings with earnings per share improving from 68.4 sen in financial year 2005 to 74.4 sen.

The most significant aspect of the performance was the increased contribution of non-interest income to total revenue. From 31.1% in financial year 2005, its proportion rose to 34.3% for the year under review. We are certainly encouraged by this trend as it reflects the success of the strategy to capture the growing market in the payment business as well as development of insurance/takaful as another core business for the Group. Above all, it provides us with a structural growth pattern which is less demanding on capital and is an important component of the Group's wider efficient capital management agenda.

The emphasis on efficient capital management has given the Group greater latitude to provide superior returns to its shareholders, while at the same time, prudently retaining sufficient reserves to support business growth and expansion. It is within this overall framework that the Board of Directors is recommending a final dividend of 35% less 28% income tax. This will bring the total dividend for the financial year to 85%, representing a dividend payout ratio of 82.7%.

The singularity of Maybank's value creation is prominently evident in the sustainability and stability of its revenue drivers. This feature traces its source to the sizeable share of recurring income which during the year, accounted for more than three-quarters of total operating revenue. Although income from financing activities continued to account for a significant proportion, there has been a sustained upward trend in the contribution of recurring fee income. As an institution with superior service capabilities, the Group benefited from the growing popularity of electronic payments and the remittance as well as wealth management businesses. In addition, our recent big push into the insurance business has further strengthened the stability and predictability of the Group's financial performance.

Maybank's strategic approach towards value creation is not limited to riding on the economic cycle and accommodating the changing needs of society. We have also set challenging goals for operational effectiveness. This approach could not have been more appropriate and timely since the competitive business environment continued to exert upward pressure on the cost of business acquisitions and skilled manpower. In addition, there is an unceasing demand for financial resources to strengthen the risk management and compliance framework as well as the urgency to create a platform to sustain the future growth momentum. Unbridled by these challenges, we did well in our cost optimisation efforts as well as in improving the credit quality of our loan assets. It is to be noted that for the Group, it costs 39.6 sen to generate RM1 of revenue compared to the average of 42.7 sen for the banking system. The Group also recorded reassuring progress in credit quality improvement. Our approach that treats the preservation of credit quality as an integrated process flow from the point of origination to the remedial and recovery stages, brought the net NPL ratio down to 3.84% from 4.93% in financial year 2005. Most encouraging was our recovery rate for the year which improved to 50.8% from 48.2% in financial year 2005 and the default rate which was reduced to 4.7% from 7.0% a year ago.

Our achievement on these two fronts added to the financial strength of Maybank, with the former creating a sustained competitive edge in an increasingly volatile business environment; whilst the latter minimised leakages from revenue flows.

## VALUE TO THE CUSTOMERS

Our customers are the pillar of our strength and we remain committed not only to maintaining excellent service standards, but also to anticipate their needs and endeavour to fulfil them. This has been our value proposition to them and over the years we have been continually challenging and striving to extend the range of possibilities in terms of service accessibility, products and services, as well as operational efficiency.

The results of all these efforts were lucidly manifested in the Group's dominant position in key business lines. We are the largest financial intermediary with domestic loan and traditional deposit market shares of 20.3% and 17.6% respectively. In the fast growing internet banking segment, Maybank led the pack with our infrastructure supporting more than 70% of total internet payments. Capitalising on our strength as a bank with international business capabilities, Maybank dwarfed its competitors with a market share in the trade finance business of 24.7%. As for the highly competitive card business, we accounted for almost a quarter of the merchant acquiring business and held the lead position for cards payment processing.

Spearheading our customer-centric business philosophy, Maybank has been extremely successful in providing customers with products and services that fit their lifestyles and requirements. Utilising our proven bancassurance business model as well as other strategic initiatives aimed at enhancing the effectiveness of sales competencies, we have forged close alliances with our customers. This is evidenced by the cross-product holdings of our retail customers which range from 4.29 products per person for the mid-segment to 7.22 products at the top end.

The success of our business model and the effectiveness of our logistics afforded the opportunity for a wider scope of vendor alliance between Maybank and several globally known product manufacturers and service providers, particularly in wealth management and travel related financial services. For Maybank's customers, these arrangements brought to them an extensive portfolio of high-value products and services with convenience. More importantly, customers had the added confidence of knowing they were dealing with an institution with which they already had an established relationship and a reputation for financial strength.

CONTINUES ON PAGE 21

# VALUE TO THE REGULATORS

Being the largest financial group in the country, Maybank carries with it an indirect responsibility of contributing towards the stability, reliability and efficiency of the domestic financial system. Further to this, in the context of the Financial Sector Master Plan, Maybank has to live-up to the image of being a strong and forward looking financial institution that is customer driven and ready to face the challenges of liberalisation and globalisation.

We believe, through our consistent performance over all the years, we have fulfilled these expectations. As at end of June 2006, Maybank Group's shareholders' funds amounted to RM16.77 billion and our Tier-1 risk-weighted capital ratio stood at 9.91%. Maybank's financial strength could also be gauged from the high reserve coverage of the non-performing loan portfolio at around 69.8% and the stability of our deposit base where individuals accounted for more than half of the total value of customers' deposits.

At its core, Maybank has the advantage of having a stable shareholding structure. In fact, with long term institutional investors maintaining sizeable stakes, we are less inclined towards delivering transient value. Our position as an entity with the largest market capitalisation comes on the back of sustained business performance, financial resilience and the unreserved commitment to continuously build long term performance levers.

We are also pleased with the achievements made on the efficiency front. For instance, the turnaround time for various types of consumer loans was brought down to an average of two days and for small and medium scale loan facilities, the average turnaround time was less than two weeks. All complaints and queries were attended to within two days and 90% of them were resolved within 10 days. Our customers are also now enjoying better services in branch banking halls with the average waiting time reduced to three minutes per customer.

# VALUE TO THE EMPLOYEES

Our employees are our valued asset. It is through their dedication and the quality of human capital embodied in them that Maybank maintains its pre-eminent position in the industry. These positive attributes are the product of our strategic approach in the planning and management of our manpower resources. Our recruitment process, for instance, is extremely demanding as it aims to attract and retain the best talents in the job market. In meeting these goals, Maybank not only provides a competitive compensation package, but also enriches personnel with rewarding career prospects. This includes among others, comprehensive training programs, skill enhancement opportunities, a working environment that promotes a high performance corporate culture and wide scope of career development.

These values are well-recognised and appreciated by our employees. Despite the intense competition for skilled manpower, the impact on Maybank has been minimal. Our staff turnover rate during the year was relatively low at 7.8% and the average length of service ranged from 13.8 years at the junior executive level to 17.3 years for the senior management group. It is also important to note that not only is their length of service considerably long, they also have the attributes that support the high performance corporate culture. Based on results from our Employee Engagement Survey that is conducted annually, more than 85% of our staff are categorised as "Engaged". Our 2006 Employee Engagement Index is above the national norm and that of global financial services companies.

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The findings from our Employee Engagement Survey is encouraging indeed. However, the true measure of their commitment is definitely their productivity level. In this regard, we are pleased to note that staff productivity continues to register improvement. Operating revenue per employee, for instance, improved to RM548,743 from RM514,655. In the distribution of life insurance products, the productivity level of our sales personnel was well above the industry. We recorded an average monthly sale of 13.5 ordinary life policies and 3 investment-linked products per sale personnel against the industry average of nine ordinary life policies and 1.4 investment-linked products per agent.

While we are pleased with the productivity of our employees, we remain cognisant of the challenges we are facing in managing manpower resources. Viewed from a resource optimisation perspective, this concern becomes more apparent not only because manpower related expenses accounted for a sizeable 48.2% of our overhead costs but more critically, its growth is likely to accelerate as competitive business pressures spills over into the competition for resources and the cost of living escalates.

We also recognise that the market we serve is consistently raising the bar in respect of service standards. Today, it requires not only staff who are well-versed with the products and services Maybank Group is offering, but more importantly, the competency to act as financial solutions advisors. This new demand challenges our employees to sharpen their entrepreneurial skills, innovative spirit and understanding of customers' requirements. In short, there is a need for a paradigm shift in manpower development from the hitherto emphasis on hard skills to soft skill competencies.

## VALUE TO THE COMMUNITY

Maybank views its corporate social responsibility (CSR) as an investment. It is on this premise that the assessment for our involvement in this area of corporate citizenship extends beyond mere static cost impact analysis. In other words, our consideration includes the offsetting socio-economic benefits to business. After all, a positive and robust business environment can only exist with improved standards of living, availability of adequate social infrastructure and a commitment towards environmental protection. With a properly designed CSR programme, we strongly believe that there are no inherent trade-offs between CSR and our business objectives. Both objectives are mutually reinforcing and we have seen this from our past involvement in the provision of rural banking services. In this example, not only did we help to create new economic growth centres, it also deepened and widened our business coverage. Today, as payment and transactional banking business becomes one of the core banking activities, our early presence in those areas has conferred on us strategic as well as first mover advantages.

Our commitment towards CSR is founded on the concept of `Growing with Responsibility'. The concept has become the trademark of Maybank and gained wider acknowledgement recently with the conferment of the CSR Award for 2006 by Malaysian Business magazine. For us, this also represents recognition of our significant contributions to community based projects, especially in the fields of health and medical services, education, welfare, sports, environment, arts as well as culture.

## PROSPECTS AND STRATEGIC FOCUS

The financial sector business will continue to be exciting as well as challenging. In fact, these seemingly contradictory features will be the main value drivers for Maybank in the years to come. For us, the accelerating trend of the payment business, increasing demand for wealth management products, higher volume of cross-border trade and investment flows as well as the need for innovative financing packages under the 9th Malaysia development plan, are some of the exciting opportunities waiting to be tapped. With its superior logistic capabilities and the state of readiness of its business infrastructure, Maybank will certainly be able to benefit from these emerging trends.

Notwithstanding this, we also recognise that the trend towards structural deregulation and globalisation will be hastened. This, together with the speed of technological advancement, will rob us, as well as our domestic competitors, of the home country advantage. Markets are also less forgiving on service standard and product offering shortcomings; especially as expectations, lifestyle and the balance of power shifts in favour of customers. What is increasingly becoming apparent is that the new paradigm of industry competitiveness requires not only the ability to innovate, but also to innovate rapidly.

In responding to these anticipated challenges, Maybank has identified the following focus areas which will not only further entrench our leading position in the industry but also provide fresh growth momentum for our key business lines. These focus areas are:

- Intelligent use of information: This initiative will support the development of the COMPETITIVE INTELLIGENCE strategy; enhance our understanding of every business line we are in as well as act as a platform for robust and dynamic risk management.
- Dynamic business model: Given the speed of change in the operating environment, constant evaluation of the business model is required. This includes evaluating options on business partnerships, available choices on the breadth and depth of the market as well as business expansion models.
- Efficient resource utilisation: The rising cost of doing business and competition for skilled manpower brings a new dimension to the way resources are managed. Increasingly, there is a need to explore the potentials afforded by economies of skill apart from economies of scale.
- Efficient capital management: The increasing cost of equity, new capital adequacy framework as well as capital market volatility are some of the developments that demand greater focus on the efficiency of capital management.
- Smart execution: This encompasses both effective communications as well as speedy execution of the key strategic initiatives.

## CONCLUSION

Maybank is committed towards delivering consistent value to all its stakeholders. As seen from our track record, our objective is not to create transient value. It is the value that will continue to emerge in the form of resilient financial performances, an organisation with an appetite to capitalise on the growth opportunities and one that consistently rewards its shareholders with superior returns, which is upper most in our concerns. Given the volatility of the financial market, attaining these goals can be challenging. However, through the dedication of our employees, loyalty of our customers, support from our business alliances, and last but not least, guidance from the various regulators, we are confident of surpassing these goals to maintain our leading edge in the industry.

In presenting this year's annual report, we would like to congratulate our employees for their success in unlocking and enhancing the value of this organisation. While some of them may have retired or are no longer with the organisation, we are sure the foundation that they helped to create will continue to spur the growth momentum of this great institution.

**Tan Sri Mohamed Basir bin Ahmad**
Chairman

**Amirsham A Aziz**
President and CEO

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# STATEMENT ON CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS ("THE BOARD") OF MALAYAN BANKING BERHAD ("MAYBANK" OR "THE BANK") REAFFIRMS ITS FULL COMMITMENT AND SUPPORTS THE RECOMMENDATIONS OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE ("THE CODE") IN ENSURING THAT THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE ARE BEING PRACTISED THROUGHOUT THE MAYBANK GROUP OF COMPANIES ("THE GROUP").

FURTHER TO THIS, THE BOARD ALSO CONSIDERS AND ADOPTS WHERE APPROPRIATE, THE RECOMMENDATIONS AND GUIDELINES ON CORPORATE GOVERNANCE STIPULATED UNDER THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA MALAYSIA") AND THOSE OUTLINED BY OTHER REGULATORY BODIES SUCH AS BANK NEGARA MALAYSIA'S GUIDELINES ON CORPORATE GOVERNANCE FOR LICENSED INSTITUTIONS ("REVISED BNM/GP1").

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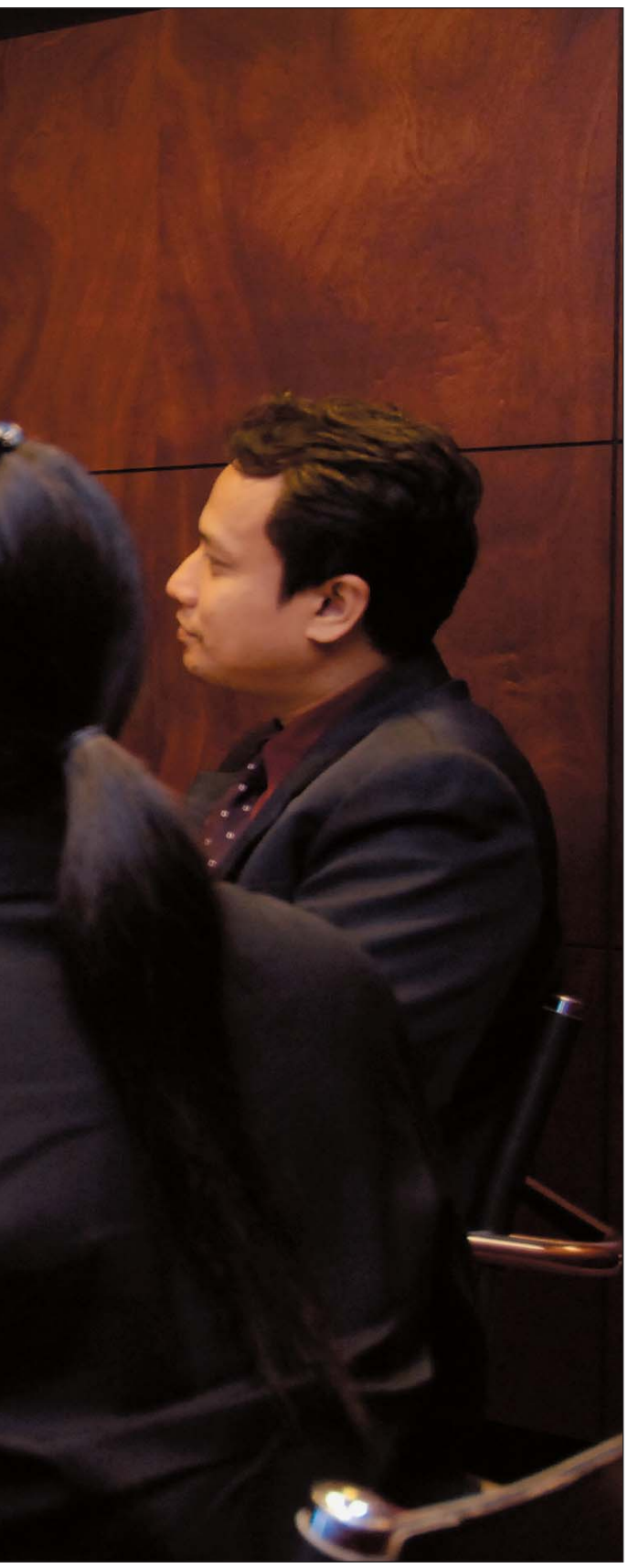

**THE BOARD CURRENTLY HAS ELEVEN MEMBERS COMPRISING TWO EXECUTIVE DIRECTORS AND NINE NON-EXECUTIVE DIRECTORS, OF WHOM SIX ARE INDEPENDENT. THE CURRENT COMPOSITION OF THE BOARD IS IN COMPLIANCE WITH PARAGRAPH 15.02 OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA AS MORE THAN HALF OF ITS MEMBERS ARE INDEPENDENT DIRECTORS.**

This signifies our long term commitment to our shareholders, investors and other stakeholders, wherein the Group discharges its responsibilities in a professional manner thereby enhancing shareholders' value, financial performance and the overall growth of the Group.

The Board of Maybank is pleased to report to the shareholders on the manner in which the Group has applied the Principles of the Code and the extent of compliance with Best Practices of the Code, pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia throughout the financial year ended 30 June 2006.

## EFFECTIVENESS OF THE BOARD OF DIRECTORS

### COMPOSITION OF THE BOARD

The Board comprises members from diverse professional backgrounds and experiences in the financial, business, legal and technical fields which are crucial for the Group to achieve its objectives and vision.

The Board provides direction and effective oversight and control of the Bank and is ultimately responsible for the overall strategic, financial and organisational matters of the Group.

The Board currently has eleven (11) members comprising two executive Directors and nine non-executive Directors, of whom six are independent. The current composition of the Board is in compliance with Paragraph 15.02 of the Listing Requirements of Bursa Malaysia as more than half of its members are independent Directors. A brief profile of each member of the Board is presented on pages 11 to 15 of this Annual Report.

### ROLES AND RESPONSIBILITIES OF THE CHAIRMAN AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER (CEO)

The roles and responsibilities of the Chairman and the President and CEO are clearly defined, differentiated and documented. This distinction allows for a better understanding and distribution of jurisdictional responsibilities and accountabilities. The clear hierarchical structure with its focused approach and attendant authority limits also facilitates efficiency and expedites informed decision making.

The Chairman of the Board is a non-executive Director, and together with the rest of the Board, is responsible for setting the policy framework within which Management is to work. The Chairman also leads the collective effort of the Board in monitoring the performance of Management in meeting the espoused corporate goals and objectives and in determining the longer term direction of the Group.

The President and CEO is primarily responsible for overseeing the day-to-day operations to ensure the smooth and effective running of the Group. He is entrusted with making sure that the policies and decisions approved by the Board are carried through to their desired outcomes especially in the institution of remedial measures to address identified shortcomings. He carries the primary responsibility for ensuring management competency including the emplacement of an effective succession plan to sustain continuity.

### APPOINTMENTS TO THE BOARD

The Board through the Nomination Committee's recommendations ensures that the level and make-up of its members are of the necessary calibre, credibility and integrity with the necessary skills and experience to enable them to effectively perform their duties and lead the Maybank Group successfully. An objective nomination process for the appointment of directors is in place wherein the Nomination Committee ensures candidates have satisfied a set of minimum 'fit and proper' criteria and other requirements pre-determined by the Board.

### BOARD BALANCE

Although all Directors have equal responsibilities, the role of the independent non-executive Directors is especially significant in order to provide appropriate safeguards to the interest of all stakeholders by ensuring that strategies and key policies formulated by Management are fully reviewed, examined and disclosed as well as providing independent judgment to bear on matters where the views or interest of Management and those of the Board may potentially diverge such as on senior executive remuneration, risk management and audit.

Further to the clear separation of roles and duties between the Chairman and President and CEO, the Board has identified Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali as the Senior Independent Director of the Board to whom concerns of shareholders and stakeholders may be conveyed.

### ROLES AND RESPONSIBILITIES

In fulfilment of the Board's statutory and fiduciary duties, it has the responsibility to approve and periodically review the overall business strategies and significant policies of the Bank.

The Board's primary responsibilities are, amongst others, as follows:-

- Review and approve the strategic business plans for the Bank;
- Identify and manage principal risks affecting the Group;
- Review the adequacy and integrity of the Group's internal control system;
- Oversee the conduct of the Group's businesses;
- Approve appointment, compensation and job grade of key management staff;
- Approve new policies pertaining to staff salary and benefits;
- Approve changes to the corporate organization structure;
- Approve the appointments of directors and directors' emoluments and benefits in accordance with relevant statutes; and
- Approve policies relating to corporate community relations, investor relations and shareholder communications programs.

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MEETINGS
The Board ordinarily meets every month with additional meetings convened as and when urgent issues and important decisions are required to be taken between the scheduled meetings. During the financial year ended 30 June 2006, the Board met eighteen (18) times to deliberate on and consider a variety of significant matters that required its guidance and approval.

Details of attendance of each Director who was in office during the financial year ended 30 June 2006 are set out in the Statement Accompanying Notice of Annual General Meeting ("AGM").

SUPPLY OF INFORMATION
The Board has full and unrestricted access to all information pertaining to the Bank's businesses and affairs to enable it to discharge its duties effectively.

Prior to each Board meeting, an agenda together with comprehensive reports for each agenda item to be discussed will be forwarded to each Director in a timely manner before the scheduled meeting to enable the Directors to obtain further clarification or explanation, where necessary, in order to be adequately apprised before the meeting.

An enhanced format of agenda for Board meetings was recently developed to ensure that the Board is presented with sufficient overall information pertaining to the business, operations and management of the Bank necessary for the Directors to effectively discharge their duties under the law and in accordance with the relevant corporate governance guidelines.

The Board may also call upon the resources of the Compliance Unit which operates directly under its purview. The principal function of this Unit is to formulate and implement a compliance risk framework with a view to minimize the incidence of non-compliance with statutory and regulatory standards and operational covenants. Its activity scope also encompasses responsibility for the anti-money laundering function.

Individual directors may also seek independent professional advice at the Bank's expense where necessary, in the furtherance of their duties in accordance with the Bank's Policy and Procedure on Access to Independent Professional Advice, Senior Management and Company Secretary by Directors of Maybank Group. All Directors have access to the advice and services of the Company Secretary.

DIRECTORS' TRAINING
All Directors have attended and successfully completed the Mandatory Accreditation Programme.

Further to the repeal of Practice Note 5/2003 and Guidance Notes 10 of the Listing Requirements of Bursa Malaysia with effect from 1 January 2005, it is no longer mandatory for directors to accumulate a specified amount of Continuing Education Programmes (CEP) points annually. Nevertheless, the Board fully supports the need for its members to further enhance their skills and knowledge on relevant new laws and regulations and changing commercial risks to keep abreast with developments in the financial services industry through a Structured Training Programme for Directors.

For the period under review, all Directors have attended a number of training and seminar programmes related to, amongst others, banking and related sectors, corporate governance and risk management, which are as follows:-

BANKING AND RELATED INDUSTRIES

- Developments in Islamic Banking organised by Institut Bank-Bank Malaysia
- Dialogue with Insurers and Takaful Operators – Moving Towards a More Competitive Market organised by Bank Negara Malaysia
- CEO Conference – Insurance and Reinsurance Industry in Africa organised by MNRB Holdings Berhad

RISK MANAGEMENT, ACCOUNTING STANDARDS AND FINANCIAL REPORTING

- Risk Management Programme for Commercial Banks organized by Indonesian Risk Professional Association
- 'The New Wave': Opportunities under the New Globalised Corporate Financial Reporting organised by Bursatra Sdn Bhd
- National Accountants Conference 2005 – Accounts: Managers of Value organised by Malaysian Institute of Accountants
- Briefing on New Financial Reporting Standards (FRS) under the New FRS Awareness Board Agenda Series organised by PricewaterhouseCoopers

CORPORATE GOVERNANCE

- Minority Shareholders' Rights Part 1 organised by PNB Investment Institute Sdn Bhd
- Preparing for the Challenges Ahead: The Role of Nomination and Compensation Committees organised by Harvard Club of Malaysia

OTHER AREAS

- An Overview of Goods and Service Tax – GST for Directors organised by PNB Investment Institute Sdn Bhd
- Anti-Money Laundering/Counter Financing of Terrorism organised by Maybank
- 10th Indonesian Rendezvous – Market Stability, How to Create in the Emerging Market organised by General Institution Association of Indonesia

RE-ELECTION
In accordance with the Company's Articles of Association, one-third of the Directors retire from office at each AGM, subject to the retirement of all Directors at least once in every three years. Retiring Directors can offer themselves for re-election.

Directors who are appointed as additional Directors or to fill casual vacancies during the year are subject to re-election by the shareholders at the next AGM following their appointments.

All appointments of Directors are subject to the approval of Bank Negara Malaysia.

Details of Directors up for re-election are on pages 4 to 5 of this Annual Report.

DIRECTORSHIPS IN OTHER COMPANIES
Pursuant to the Listing Requirements of Bursa Malaysia, each member of the Board holds not more than ten (10) directorships in public listed companies and not more than fifteen (15) directorships in non-public listed companies. This ensures that their commitment, resources and time are focused to enable them to discharge their duties effectively.

**THE BOARD ORDINARILY MEETS EVERY MONTH WITH ADDITIONAL MEETINGS CONVENED AS AND WHEN URGENT ISSUES AND IMPORTANT DECISIONS ARE REQUIRED TO BE TAKEN BETWEEN THE SCHEDULED MEETINGS. DURING THE FINANCIAL YEAR ENDED 30 JUNE 2006, THE BOARD MET EIGHTEEN (18) TIMES TO DELIBERATE ON AND CONSIDER A VARIETY OF SIGNIFICANT MATTERS THAT REQUIRED ITS GUIDANCE AND APPROVAL.**

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Although the independent non-executive Directors are also Directors of several companies in the Maybank Group, in accordance with Revised BNM/GP1, the Nomination Committee assesses the independence of the said Directors pursuant to a declaration made that they are not taking instructions from any person including Maybank.

## DIRECTORS' REMUNERATION

Directors' remuneration is determined at levels which enable the Bank to attract and retain Directors with the relevant experience and expertise needed to manage the Group effectively. For executive Directors, the component parts of remuneration are structured so as to link rewards to corporate and individual performance. For non-executive Directors, the level of remuneration generally reflects the experience and level of responsibilities undertaken by these Directors. In relation to the Bank's Employee Share Options Scheme (ESOS), allocations to Directors are based on considerations such as length of service on the Board and performance of Directors.

The determination of remuneration packages for non-executive Directors, including the non-executive Chairman, is a matter for the Board as a whole following the relevant recommendation made by the Remuneration and Establishment Committee. The Directors concerned are required to abstain from deliberations and voting on decisions in respect of their individual remuneration.

The remuneration package of the Directors is as follows:-

i. Basic salary – Basic salary for executive Directors is approved by the Board upon consideration of the individual performance and rates of salary for similar positions in comparable companies.

ii. Fees and meeting allowances – Directors' fees and meeting allowances are based on fixed sum as determined by the Board after considering comparable organisations and Directors' participation in various Committees of the Board.

iii. Benefits-in-kind – Medical benefits and other benefits as deliberated by the Board.

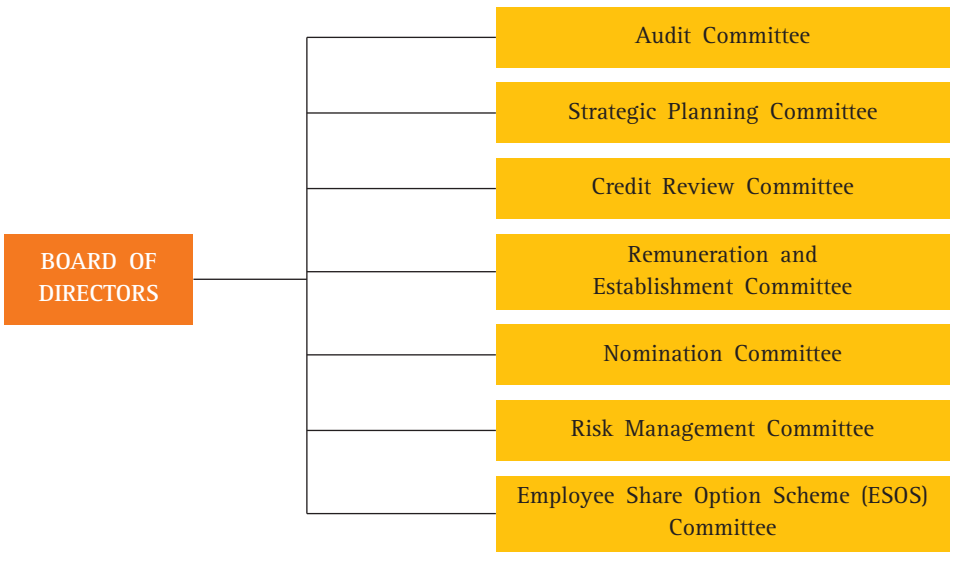
iv. Directors' Share Options – The executive and non-executive Directors are eligible to participate in the Bank's ESOS on the same terms and conditions as those offered to employees. The Directors' dealings in share options during the year under review are reflected in the audited financial statements.

A summary of the total remuneration of the Directors, distinguishing between executive and non-executive Directors, in aggregate with categorisation into appropriate components and the number of Directors whose remuneration falls into each successive bands of RM50,000 for the financial year ended 30 June 2006 are disclosed on page A21 of the Financial Statements of this Annual Report.

## BOARD COMMITTEES

The Board has delegated certain specific responsibilities to Board Committees, which operate within clearly defined terms of references primarily to assist the Board in the execution of its duties and responsibilities. Although the Board has granted discretionary authority to deliberate and decide certain operational matters, the ultimate responsibility for final decision on all matters lies with the entire Board.

The following Board Committees were established by the Board with clearly defined terms of references:




## AUDIT COMMITTEE

The Committee is authorised by the Board to investigate any activities within its Terms of Reference and has unrestricted access to both the internal and external auditors and Management of the Group. The activities carried out by the Committee during the year under review are summarised in the Audit Committee Report and its Terms of Reference as stated in pages 32 and 33 of this Annual Report.

## STRATEGIC PLANNING COMMITTEE

The overall role of the Committee is to recommend to the Board the business direction, plan and strategies of the Group and capital allocation by business segments. Additionally, the Committee is responsible for the management and policies relating to reputational risk, branding, public relations as well as the image of the Group.

The functions of the Committee include but are not limited to:-

- Review of the annual budget, medium term direction, strategies and milestones of the Bank and the Group;
- Recommend to the Board the Group's initiatives on enhancement of shareholders' value relating to business model and philosophy, technology platform, business process re-engineering, delivery channels, mergers and acquisitions, investment and divestment, capital raising exercise, strategic alliances and brand management;
- Monitor and review capital adequacy of the Bank and the Group;
- Monitor the progress and benefit realization of the key strategic initiatives undertaken by the Group; and
- Undertake such other responsibilities as may be delegated by the Board from time to time.

Meetings are held at least once in every quarter although the Committee meets as and when deliberation on urgent matters is necessary.

The members of the Committee and their attendance for the year under review are as follows:

| Name of members | No of meetings and attendance |
|---|---|
| Tan Sri Mohamed Basir bin Ahmad (Chairman) | 6/6 |
| Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali | 6/6 |
| Mohammad bin Abdullah | 6/6 |
| Datuk Abdul Rahman bin Mohd Ramli | 6/6 |
| Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor | 6/6 |
| Datuk Amirsham A Aziz | 6/6 |
| Dato' Mohammed bin Hussein | 6/6 |
| Md Agil bin Mohd Natt *(Resigned on 30 June 2006)* | 5/6 |

## CREDIT REVIEW COMMITTEE

The Committee is tasked by the Board generally to review all loan applications of a certain sum approved by the Credit Committee of the Management as well as to approve write-off of credit and operational items of which amount exceeds Management's authority limit.

In respect of proposals recommended by the Credit Committee to the Board for approval, the Committee reviews and supports or objects to said proposals, as the case may be, as well as reviews statute and policy loans.

The Committee meets weekly and comprises the following members:-

- Tan Sri Mohamed Basir bin Ahmad (Chairman)
- Dato' Richard Ho Ung Hun
- Haji Mohd Hashir bin Haji Abdullah
- Datuk Abdul Rahman bin Mohd Ramli
- Teh Soon Poh
- Datuk Amirsham A Aziz
- Mohammad bin Abdullah *(Relinquished membership on 21 April 2006)*

## REMUNERATION AND ESTABLISHMENT COMMITTEE

The overall responsibility of the Committee is to recommend to the Board an effective human resource strategy, including initiatives to the development and management of human capital with the objective of attracting, developing and retaining the best talent for the Group.

The Committee is responsible for reviewing and recommending to the Board the appropriate remuneration framework for all Directors including executive Directors and senior management, performance management model which sets the appropriate performance target parameters and benchmark, learning strategy and development programme for senior management as well as succession planning for the Group.

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All members of the Committee are non-executive Directors of whom majority are independent. The Committee meets at least once in every quarter with additional meetings convened to attend to urgent matters that require their deliberation. The attendance of members for the year under review is as follows:

| Name of members | No of meetings and attendance |
|---|---|
| Mohammad bin Abdullah (Chairman) | 12/12 |
| Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali | 12/12 |
| Datuk Abdul Rahman bin Mohd Ramli | 11/12 |
| Teh Soon Poh | 11/12 |

NOMINATION COMMITTEE

In line with Revised BNM/GP1, the Committee recommends to the Board suitable candidates for directorships and appointment of senior personnel of the Bank and its subsidiaries. The Committee ensures that the candidates satisfy the relevant requirements on the skills and core competencies of a director and are deemed fit and proper to be appointed as director. An established set of criteria was recently approved by the Board as the Policy on Fit and Proper Criteria for Appointment as Chairman, Directors and Chief Executive Officers of Licensed Institutions in Maybank Group, which acts as a guide for the Committee to determine the overall suitability of the candidate. The appointment process is conducted in accordance with the recently formalised Policy on Nomination Process for Appointment of Chairman, Directors and Chief Executive Offices of Licensed Institutions in Maybank Group.

The Board has also adopted an enhanced Board assessment form and processes which included a peer evaluation process and an actionable improvement programme for effective monitoring of the Board's progress. The Committee undertakes an annual review of the effectiveness of the Board, Board Committees and Directors and makes the appropriate recommendation to the Board to ensure that Directors who perform their duties effectively remain on the Board and the various Board Committees.

The Committee comprises non-executive Directors, majority of whom are independent. Meetings are held as and when necessary for the Committee to deliberate on related matters. The members of the Committee and the attendance for the year under review are as follows:

| Name of members | No of meetings and attendance |
|---|---|
| Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali (Chairman) | 7/7 |
| Mohammad bin Abdullah | 6/7 |
| Haji Mohd Hashir Haji Abdullah | 6/7 |
| Datuk Abdul Rahman bin Mohd Ramli | 7/7 |
| Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor | 7/7 |

RISK MANAGEMENT COMMITTEE

The Committee is responsible for the Group's risk oversight and recommends to the Board for approval policies and frameworks formulated to identify, measure and monitor various risk components amongst others, credit risk, market risk, liquidity risk and operational risk. Additionally, the Committee reviews and assesses the adequacy of these risk management policies and ensures infrastructure, resources and system are emplaced for risk management.

The Committee meets at least once in every quarter with additional meetings convened to attend to urgent matters that require their deliberation. All members of the Committee are independent non-executive Directors and their attendance for the year under review are as follows:

| Name of members | No of meetings and attendance |
|---|---|
| Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali (Chairman) | 6/6 |
| Teh Soon Poh | 6/6 |
| Haji Mohd Hashir bin Haji Abdullah | 5/6 |
| Datuk Zainun Aishah binti Ahmad | 6/6 |

EMPLOYEE SHARE OPTION SCHEME (ESOS) COMMITTEE

The Board has delegated to the Committee the responsibility to determine all questions of policy and expediency arising from the administration of ESOS and to generally do the necessary to promote the Bank's best interest.

The Committee is also tasked to review the rules and regulations relating to ESOS and to ensure the Scheme is implemented in accordance with the Bye-Laws, amongst others terms on eligibility, the offer and date of offer, basis of allotment, termination and appeals.

All members of the Committee are independent non-executive Directors. Meetings are held at least twice a year or as and when the Committee is required to deliberate on urgent matters.

The members of the Committee are as follows:

- Dato' Richard Ho Ung Hun (Chairman)
- Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali
- Mohammad bin Abdullah
- Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor

INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

The Group adopts an open and transparent policy in respect of its relationship with its shareholders and investors. Upon embarking new business or strategic ventures, press conferences are held to keep the shareholders, investors and public informed of significant developments. In addition, the Group convenes specific briefing sessions for investment analysts, fund managers as well as local and foreign media, on the occasion of the release of the Group's interim and final financial results. During the last twelve months, the Group also participated and made presentations at investment seminars held in Kuala Lumpur, Singapore, Hong Kong, London and New York.

Maybank is rated by Rating Agency Malaysia (RAM) and three leading international rating agencies, i.e. Standard and Poor's, Fitch Ratings and Moody's Investors. Ratings by these agencies provide investors with independent assessment on the financial strength of the Bank.

The Group communicates with its shareholders and investors through the Annual Report, AGM and its website. At every AGM, a question and answer session will be held to provide a forum for dialogue and interaction with shareholders. The Board encourages shareholders to enquire on the proposed resolutions at the AGM, business operations of the Group, the Group's results and future business prospects. In addition, the timely releases of the quarterly financial results and public announcements made by the Bank through Bursa Malaysia provide shareholders and investors with an overview of the Group's performance and operations.

OWNERSHIP STRUCTURE

The shares of Maybank are widely held with institutional shareholders dominating. The top three (3) shareholders are Skim Amanah Saham Bumiputra (ASB) with 36.51%, Permodalan Nasional Berhad (PNB) with 13.64% and Employee Provident Fund Board with 8.39% accounting for a combined 58.54%.

The shareholding structure is transparent and is disclosed on page 51 of this Annual Report. Updates can be obtained on request from the Company Secretary.

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The existing share structure consists entirely of Ordinary Shares and there are no different classes of Ordinary Shares. There is no foreign shareholding limit and the Memorandum and Articles of Association do not have any explicit provision(s) that hampers acquisition. However the Bank is subject to the Banking and Financial Institutions Act 1989 ("BAFIA") which contains certain restrictions on share ownership.

In order to expand the shareholder base and the liquidity of its shares, Maybank also has a Sponsored Level 1 American Depository Receipt Program (ADR) which has been traded on an over-the-counter basis since May 2005. Each ADR is equivalent to 2 Ordinary Maybank shares.

## ACCOUNTABILITY AND AUDIT

### FINANCIAL REPORTING AND DISCLOSURE

In presenting the annual audited financial statements and quarterly results, the Board aspires to present a balanced and easily comprehensible assessment of the Group's competitive position, performance and prospects. In this regard, the Board is assisted by the Audit Committee to supervise the financial reporting process and the quality of the Group's financial statements.

The financial statements of Maybank are prepared in accordance with the Malaysian Accounting Standards Board's (MASB) requirements, to ensure that the reports present a true and fair view of the Group performance. As Maybank operates in a number of foreign jurisdictions, the financial treatment of the collated accounts has always been based on the more stringent requirements.

To ensure better understanding of the Group's operations, the scope of the disclosures includes current and past performance analysis, performance review by business sectors and geographical locations, risks associated with the businesses and line item explanations for the changes in the Balance Sheet and the Profit and Loss Statement.

Maybank appreciates the need for regular and timely reports on the Group's performance. Hence, in addition to the Annual Report and in adherence to the Listing Requirements of Bursa Malaysia, it also releases its unaudited results at quarterly intervals which are accessible via the website.

During the financial year, Maybank did not incur any penalties for the erroneous or late submission of any statutory reports.

### DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

The Board is responsible for ensuring that the financial statements of the Group gives a true and fair view of the state of affairs of the Group and of the Bank as at the end of the accounting period and of the profit and loss and cashflow for the period then ended.

In preparing the financial statements, the Directors have applied suitable accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent. The Directors have also ensured that all applicable accounting standards have been followed and financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Bank have adequate resources to continue in operational existence for the foreseeable future.

The Directors also have responsibility for ensuring that the Bank keeps accounting records which disclose with reasonable accuracy the financial position of the Group and of the Bank and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965.

The Directors generally have the duty to take such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

### INTERNAL CONTROLS

The Board has overall responsibility for the Group's system of internal controls which includes financial controls, operational and compliance controls and risk management to ensure shareholders' investments, customers' interests and the Group's assets are safeguarded.

The Directors' Statement on Internal Control set out on pages 30 and 31 of this Annual Report provides an overview of the state of internal control within the Group.

### RELATIONSHIP WITH THE AUDITORS

The Board, through the Audit Committee, maintains a transparent and professional relationship with the Bank's Auditors, both external and internal. A full report of the Audit Committee outlining its role in relation to the internal and external auditors is set out on pages 32 and 33 of this Annual Report.

### CODE OF ETHICS AND CONDUCT

Maybank has a Code of Ethics that sets out and governs the ethical expectations in respect of employee behaviour when discharging their duties and in dealings with customers, fellow employees and public authorities. Employees are expected to conduct their business with utmost honesty, integrity and with the highest sense of moral behaviour. The Code represents the practical application of the Core Values observed by the Group with the emphasis being on the behavioural ethics.

The Code is communicated to all employees upon commencement of their employment with the Group. Details of the Code of Ethics and Conduct are further explained on page 30 of this Annual Report.

This statement is made in accordance with the Board's resolution dated 24 August 2006.



**Tan Sri Mohamed Basir bin Ahmad**
Chairman of the Board

**AN ESTABLISHED SET OF CRITERIA WAS RECENTLY APPROVED BY THE BOARD AS THE POLICY ON FIT AND PROPER CRITERIA FOR APPOINTMENT AS CHAIRMAN, DIRECTORS AND CHIEF EXECUTIVE OFFICERS OF LICENSED INSTITUTIONS IN MAYBANK GROUP, WHICH ACTS AS A GUIDE FOR THE NOMINATION COMMITTEE TO DETERMINE THE OVERALL SUITABILITY OF THE CANDIDATE. THE APPOINTMENT PROCESS IS CONDUCTED IN ACCORDANCE WITH THE RECENTLY FORMALISED POLICY ON NOMINATION PROCESS FOR APPOINTMENT OF CHAIRMAN, DIRECTORS AND CHIEF EXECUTIVE OFFICES OF LICENSED INSTITUTIONS IN MAYBANK GROUP.**

# CODE OF ETHICS and CONDUCT

MAYBANK, AS A CUSTODIAN OF PUBLIC FUNDS, HAS A RESPONSIBILITY TO SAFEGUARD ITS INTEGRITY AND CREDIBILITY. IT IS ON THIS UNDERSTANDING THAT THE ORGANISATION SETS OUT CLEARLY THE CODE OF ETHICS AND CONDUCT FOR ITS STAFF. THE CODE STIPULATES THE SOUND PRINCIPLES THAT WILL GUIDE ALL MAYBANK STAFF IN DISCHARGING THEIR DUTIES. IT SETS OUT THE STANDARDS OF GOOD BANKING PRACTICE.

### THE PURPOSE OF THE CODE IS TO:

1. Uphold the good name of Maybank and to maintain public confidence in Maybank.
2. Maintain public confidence in the security and integrity of the banking system.
3. Maintain an impartial and unbiased relationship between Maybank and its customers.
4. Uphold the high standards of personal integrity and professionalism of Maybank staff.

### THE CODE STIPULATES THAT STAFF SHOULD NOT:

1. Engage directly or indirectly in any business activity that competes or is in conflict with the Bank's interest.
2. Misuse or abuse their positions in the Bank for their personal benefit or for the benefit of other persons.
3. Misuse information.

### IN ADDITION TO THESE, STAFF SHOULD:

1. Ensure the integrity and accuracy of records and/or transactions.
2. Ensure fair and equitable treatment in all business dealings on behalf of the Bank.
3. Maintain the highest standard of service in their relationship with customers.
4. Maintain confidentiality of all relations and dealings between the Bank and its customers. However, confidential information concerning a customer may be given or made available to third parties only with prior written consent of the customer or when disclosure is authorised under the Banking and Financial Institutions Act, 1989.
5. Maintain the integrity of the banking system.
6. Manage their financial matters well and not subject themselves to pecuniary embarrassment.
7. Observe and comply with laws and regulations relating to the operations of the Bank. E

# STATEMENT ON INTERNAL CONTROL

## RESPONSIBILITY

THE BOARD ACKNOWLEDGES THEIR OVERALL RESPONSIBILITY FOR THE GROUP'S INTERNAL CONTROL ENVIRONMENT AND ITS EFFECTIVENESS. IT IS OF THE VIEW THAT THE INTERNAL CONTROL FRAMEWORK IS DESIGNED TO MANAGE RATHER THAN ELIMINATE THE RISK OF FAILURE TO ACHIEVE THE POLICIES, GOALS AND OBJECTIVES OF THE GROUP. IT CAN THEREFORE ONLY PROVIDE REASONABLE ASSURANCE AND NOT ABSOLUTE ASSURANCE OF EFFECTIVENESS AGAINST MATERIAL MISSTATEMENT OF MANAGEMENT AND FINANCIAL INFORMATION OR AGAINST FINANCIAL LOSSES AND FRAUD.

The Board is additionally of the view that the system of internal control in place for the year under review is sound and sufficient to safeguard shareholders' investments, customers' interests and the Group's assets. The system of internal control which has been instituted throughout the Group is updated from time to time to suit the changes in the business environment.

The role of Management is to implement the Board policies, on risk and control by identifying and evaluating the risks faced and design, operate and monitor a suitable system of internal controls and formulate related policies and procedures to manage these risks.

### KEY INTERNAL CONTROL PROCESSES

The key processes that the Directors have established in reviewing the adequacy and integrity of the system of internal control are as follows:

- An organisation structure with clearly defined lines of responsibility, limits of authority and accountability aligned to business and operations requirements which support the maintenance of a strong control environment.
- Risk management principles, policies, procedures and practices are updated regularly to ensure relevance and compliance with laws and regulations and are made available to all employees. To further enhance risk awareness within the Maybank Group, a series of road shows were conducted to all levels of staff emphasizing the importance of control environment and the Group's whistle blowing policy that defines the avenue for employees to raise genuine concerns about actual and suspected wrongdoing or malpractices and for the protection of the said employees.
- Annual business plan and budget are submitted to the Board for approval. Actual performances are reviewed against the targeted results on a monthly basis allowing timely responses and corrective actions to be taken to mitigate risks. The Board also reviews regular reports from the management on the key operating statistics, legal and regulatory matters. The Board approves appropriate responses or amendments in the Group policies.
- The Audit Committee of The Board (ACB) regularly reviews the actions taken on internal control issues identified in reports prepared by Internal Audit, the external auditors and regulatory authorities, and evaluates the effectiveness and adequacy of the Group's internal control system. The ACB has active oversight on the internal audit's independence, scope of work and resources. It also performs reviews on Internal Audit function particularly the annual audit plan scope and frequency of the audit activities.
- The Internal Audit of the Group supervises the observance of internal control policy, procedures by performing regular reviews of the business processes to examine and evaluate the adequacy, effectiveness and efficiency of financial and operating controls and highlights significant risks and non-compliance impacting the Group. Management, through the Internal Audit Committee, is to follow up and review the status of actions on recommendations made by the internal and external auditors. Audits are carried out on units that are identified premised on a risk based approach, in cognizance with the Group's objectives and policies in the

CONTINUES ON PAGE 31

context of its evolving business and regulatory environment, taking into consideration input of the senior management and the board.

- Besides the ACB, the Board has also set up several Board Committees to assist the Board perform its oversight functions. For more details on the various Board Committees, please refer to page 27.
- Group Management Committee, Group Executive Risk Management Committee, Group IT Steering Committee, Internal Audit Committee, Asset and Liability Committee and Group Staff Committee are also established as part of its stewardship function to ensure effective management and supervision of the areas under the respective Committee's purview.
- Recruitment and promotion policies/ guidelines within the Group are established to ensure appropriate persons of calibre are selected to fill positions available. A learning management council is formed for each business sector to ensure staff are adequately trained and competent in discharging their duties effectively. Proper guidelines are also drawn-up for termination of staff.
- A clearly defined framework with appropriate empowerment and authority limits has been approved by the Board for acquisitions and disposals of assets, awarding tenders, writing off operational and credit items, donation, as well as approving general and operational expenses.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Internal Control for the inclusion in the annual report for the financial year ended 30 June 2006.

The external auditors conducted the review in accordance with the "Recommended Practice Guide 5: Guidance for Auditors on the Review of Directors' Statement on Internal Control" ("RPG 5") issued by the Malaysian Institute of Accountants. The review has been conducted to assess whether the Statement on Internal Control is both supported by the documentation prepared by or for the Directors and appropriately reflects the processes the Directors had adopted in reviewing the adequacy and integrity of the system of internal controls for the Group.

RPG 5 does not require the external auditors to consider whether the Directors' Statement on Internal Control covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures. RPG 5 also does not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant matters disclosed in the annual report will, in fact, mitigate the risks identified or remedy the potential problems.

Based on their review, the external auditors have reported to the Board that nothing had come to their attention that caused them to believe that the Statement on Internal Control is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control of the Group.

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**THE AUDIT COMMITTEE OF THE BOARD (ACB) REGULARLY REVIEWS THE ACTIONS TAKEN ON INTERNAL CONTROL ISSUES IDENTIFIED IN REPORTS PREPARED BY INTERNAL AUDIT, THE EXTERNAL AUDITORS AND REGULATORY AUTHORITIES, AND EVALUATES THE EFFECTIVENESS AND ADEQUACY OF THE GROUP'S INTERNAL CONTROL SYSTEM.**

# AUDIT COMMITTEE of the BOARD

## MEMBERSHIP

The present members of the Audit Committee of the Board (ACB) are as follows:

**Mohammad bin Abdullah**
Chairman, Independent Non-Executive Director

**Teh Soon Poh**
Independent Non-Executive Director

**Haji Mohd Hashir bin Haji Abdullah**
Independent Non-Executive Director

**Datuk Zainun Aishah binti Ahmad**
Non-Independent Non-Executive Director

The Company Secretary, Mohd Nazlan Mohd Ghazali, is the Secretary to the ACB.

## ATTENDANCE OF MEETINGS

For the financial year 2005/2006, the ACB held a total of 16 meetings. The meeting attendance of the Committee members is as follows:

| Name of Committee Member | No. of Meetings Attended |
|---|---|
| Mohammad bin Abdullah | 14/16 |
| Teh Soon Poh | 15/16 |
| Datuk Abdul Rahman bin Mohd Ramli (Ended membership on 23 March 2006) | 10/12 |
| Haji Mohd Hashir bin Haji Abdullah | 16/16 |
| Datuk Zainun Aishah binti Ahmad (Appointed on 23 March 2006) | 4/4 |

The Executive Directors and the Chief Audit Executive are invited to attend the meetings. Prior to the release of the annual financial results, the Chief Audit Executive and the external auditors meet separately with members of the Audit Committee in private without the presence of the Management. The external auditors attend meetings on special matters when necessary.

# COMPOSITION AND TERMS OF REFERENCE

## COMPOSITION

1. The Chairman and the majority of the Audit Committee members shall be independent directors and at least one member of the Committee must be:
   - a member of the Malaysian Institute of Accountants (MIA); or
   - if he is not a member of the MIA, he must have at least three (3) years working experience; and
     - i. he must have passed the examinations specified in Part I of the First Schedule of the Accountant Act 1967; or
     - ii he must be a member of one (1) of the association of accountants specified in Part II of the First Schedule of the Accountants Act, 1967.
2. Where the Chairman is unable to attend the meeting, the members shall elect a person among themselves as Chairman.
3. Review of membership is undertaken once every three (3) years. This review pertains to the term of office and performance of the members.

## QUORUM

1. The quorum shall be three (3) with majority to be independent directors.

## AUTHORITY

The ACB is empowered by the Board to carry out the following:

1. Investigate any activity or matter within its terms of reference.
2. Promptly report to Bursa Malaysia matters which have not been resolved satisfactorily thus resulting in a breach of the Listing Requirements.
3. Obtain external independent professional advice, legal or otherwise deemed necessary.
4. Maintain direct communications channels with external auditors, person(s) carrying out the internal audit function or activity and with senior management of the Bank and its subsidiaries.
5. Convene meetings with internal and external auditors, without the attendance of the Management, whenever deemed necessary.

In discharging the above functions, the ACB has also been empowered by the Board to have:

1. Necessary resources which are required to perform its duties.
2. Full and unrestricted access to any information and documents relevant to its activities.

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# DUTIES & RESPONSIBILITIES

The primary duties and responsibilities of the ACB with regard to the Maybank Group's Internal Audit function, external auditors, financial reporting, related party transactions and annual reporting are as follows:

1. INTERNAL AUDIT
   - Review the adequacy of the internal audit scope and plan, functions and resources of the internal audit function, Internal Audit Charter and that it has necessary authority to carry out its work.
   - Review the internal audit reports to evaluate the findings of their work and to ensure that appropriate and prompt remedial action is taken by management on major deficiencies in controls or procedures that are identified.
   - Approve appointment, termination or transfer of the Chief Audit Executive and Heads of Departments.
   - Assess the performance of the internal auditors and determine and approve the remuneration and annual increment of the internal auditors.

2. EXTERNAL AUDIT
   - Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal and to make recommendations to the Board.
   - Assess the qualification, expertise, resources and effectiveness of the external auditors.
   - Monitor the effectiveness of the external auditors' performance and their independence and objectivity.
   - Review with the external auditors, the audit scope and plan, including any changes to the planned scope of the audit plan.
   - Review major audit findings and the Management's response with management and external auditors, including the status of previous audit recommendations.
   - Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.

3. FINANCIAL REPORTING
   Review the quarterly and year-end financial statements with emphasis on:
   - changes in accounting policy
   - significant and unusual events
   - compliance with existing accounting policies/ estimates, internal policies, guidelines, other legal and regulatory standards/requirements
   - adequacy of control and changes (if any) in the process flow for the preparation of the interim financial statements
   - adequacy of provision for non performing loans, investment securities and debt-equity.

4. RELATED PARTY TRANSACTION
   Review any related party transaction and conflict of interest situations that may arise within the Bank or Maybank Group including transactions, procedures or courses of conducts that may raise questions of management integrity.

5. ANNUAL REPORT
   Report the Audit Committee's activities for the financial year.

6. OTHER MATTERS
   Other matters as the committee considers appropriate or as authorised by the Board of Directors.

# SUMMARY OF ACTIVITIES

During the financial year 2005/2006, the ACB carried out its duties as set out in the terms of reference. The main activities undertaken by ACB were as follows:

INTERNAL AUDIT

1. Reviewed the effectiveness of the roles and responsibilities of the ACB as prescribed by the (a) Terms of Reference of the ACB; (b) Bank Negara Malaysia Garis Panduan 10 - Guidelines On Minimum Audit Standards For Internal Auditors Of Financial Institutions (BNM/GP10), (c) Revised Garis Panduan 1 – Guidelines On Corporate Governance For Licensed Institutions (BNMGP1), (d) Guidelines on Management of IT Environment (BNM/GPIS1), (e) Listing Requirements of Bursa Malaysia Securities Berhad and (f) Malaysian Code of Corporate Governance.
2. Reviewed the annual internal audit plan for the financial year 2005/2006 to ensure adequate scope and coverage over the activities of the bank and the Group and the quarterly audit performance reports to ensure the adequacy, performance, progress, achievement and coverage of the internal audit functions. The ACB has also reviewed internal audit reports, audit recommendations and management's responses to these recommendations.
3. Reviewed the audit reports of Bank Negara Malaysia Examiners', the external auditors and other regulatory authorities, the Management's responses to the auditors' and examiners' recommendations and monitored the actions taken to rectify weaknesses detected. When necessary, the ACB had also directed that appropriate remedial actions be taken.
4. Deliberated on the minutes of the meetings of the subsidiary companies' ACBs for an overview of the risk management and internal control systems of those subsidiary companies.
5. Examined the adequacy of the skills, knowledge and core competencies of the internal auditors. This includes review of the training programmes initiated.
6. Provided independent evaluation on the performance and annual compensation/ rewards of audit staff in accordance with the requirements of Garis Panduan 1 of Bank Negara Malaysia.

FINANCIAL REPORTING

7. Reviewed the quarterly unaudited financial results and the annual audited financial statements of the Bank and the Maybank Group to ensure that the financial reporting and disclosure requirements are in compliance with the relevant acts, rules and regulations.

EXTERNAL AUDIT

8. Evaluated the performance of the external auditor and made recommendations to the Board on their appointment, scope of work and audit fees.

RELATED PARTY TRANSACTIONS

9. Reviewed the related party transactions within the Bank and the Group.

# INTERNAL AUDIT FUNCTIONS

The Group has a well established Internal Audit Division (IAD) to assist the Board of Directors to oversee that Management has in place a sound risk management, internal control and governance system. The IAD reports functionally to the ACB of the Bank and its subsidiary companies and is independent of the activities or operations of other operating units. The scope of internal audit covers the audits of all units and operations, including subsidiaries. It is the responsibility of the internal audit department to provide the ACB with independent and objective reports on the state of risk management, control and governance processes.

IAD executes its independent assurance and consultative role through programmed reviews of units and operations identified on a risk based audit approach, aimed at helping accomplish the Group's objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

The selection of the units to be audited from the audit universe leading to the formulation of the audit plan, is premised on a risk based approach and in cognizance with the Group's objectives and policies in the context of its evolving business environment, taking into consideration input of the senior management and the board. In addition to risk based audits, the Internal Audit Department also assists in the evaluation of risk exposures to ensure that control procedures are in place to mitigate the risks identified, prior to implementation of new business products and projects.

The audit reports, which provide the results of the audit conducted in terms of the risk management of the unit, operating effectiveness of internal controls, compliance with internal and regulatory requirements and overall management of the unit are submitted to the ACB for their review. Key control issues, significant risks and recommendations are highlighted, along with Management's response and action plans for improvement and/or rectification, where applicable. This enables the ACB to execute its oversight function by forming an opinion on the adequacy of measures undertaken by Management.

The internal auditing function is organised on a Group basis and provided with adequate resources to discharge its functions. Consistent with this approach, the internal audit function is supervised centrally with support from resident auditors in selected overseas locations where Maybank operates namely in Singapore, Philippines and Indonesia. Technical support especially in the areas of credit risk, market risk, information technology systems and developmental initiatives are centrally driven to ensure consistency of standards and applications. The ACB reviews and approves the Group Internal Audit's annual budget and human resource requirements to ensure that the function is adequately resourced with competent and proficient internal auditors.

The International Standards for the Professional Practice of Internal Auditing (SPPIA) of the Institute of Internal Auditors (IIA), the Practice Advisories issued by the IIA, the Guidelines On Internal Audit Functions and Bank Negara Malaysia's Garis Panduan 10 (GP10) and Garis Panduan Insurance 13 (GPI 13) are used where relevant as authoritative guides for internal auditing procedures. E

# RISK MANAGEMENT

## RISK MANAGEMENT GOVERNANCE

Maybank Group's risk management mission is to provide the appropriate frameworks and methodologies for the effective management of enterprise-wide risks in the Group in order to protect and enhance shareholder value. This mission is supported by the following strategic objectives:

- Cultivate a risk-aware culture in the Maybank Group, to empower every staff with the capability to identify and manage risks whenever they arise.
- Benchmark our risk management practices to international best practices, commensurate with Maybank Group's scale and complexity of business.
- Lead in risk management benchmarks set by Bank Negara Malaysia (BNM) and other relevant authorities.
- Provide for an effective and pro-active management of assets and liabilities.
- Provide for a risk-based capital structure so as to efficiently allocate capital according to the degree of risk.

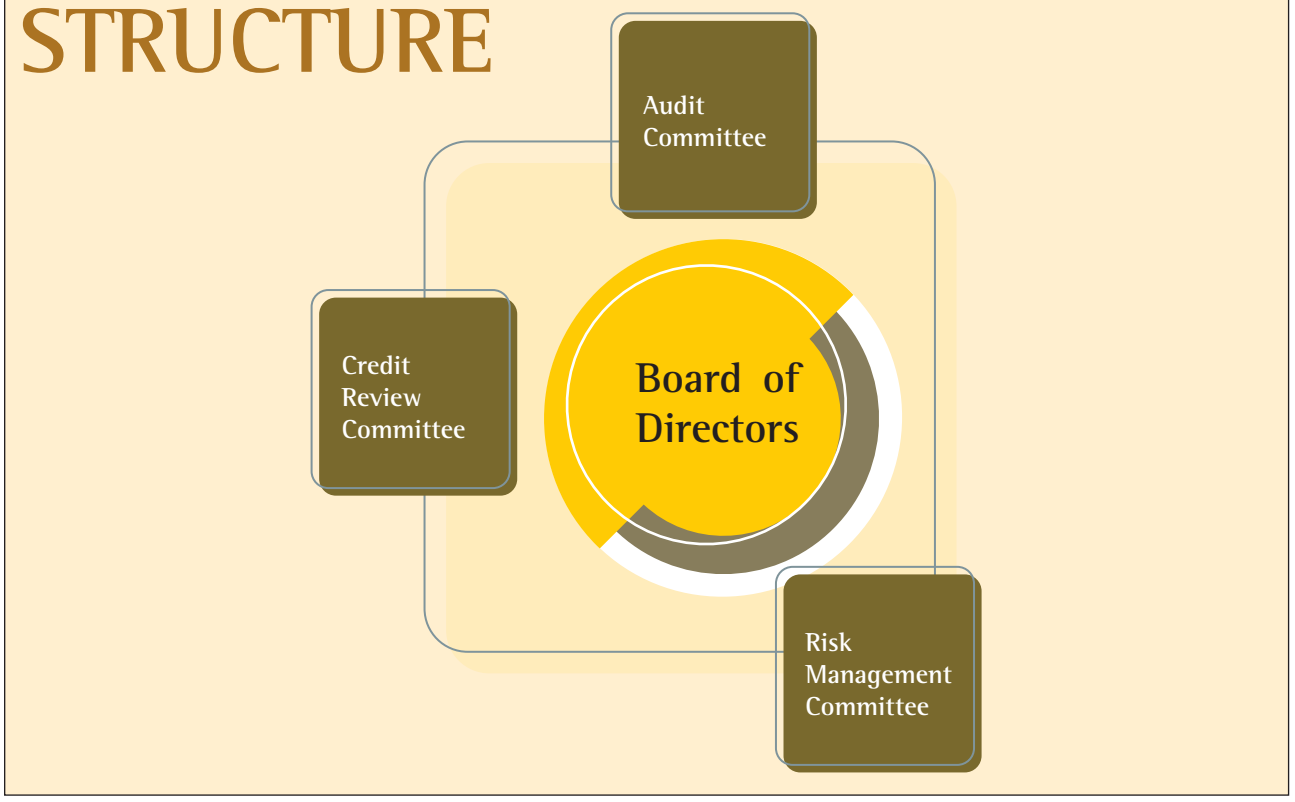
Maybank Group's risk management approach is premised on three lines of defence – risk taking units, risk control units and internal audit.

The risk taking units are responsible for the day-to-day management of risks inherent in their business activities while the risk control units are responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring, control and pricing of risks. Complementing this is internal audit, which provides independent assurance of the effectiveness of the risk management approach.

Risk Management is responsible for overseeing the execution of various risk policies and related decisions of the Board. Risk Management is functionally and organisationally independent of the business sectors and other risk taking units within Maybank Group and provides risk oversight for the major risk categories including credit risk, market risk, liquidity risk, operational risk and other industry-specific risks. Risk Management ensures that the core risk policies of the Group are consistent, sets the risk tolerance level and facilitates the implementation of an integrated risk-adjusted measurement framework.

With effect from 1 March 2006, the Head of Compliance reports directly to the Board of Directors, Maybank, instead of to the Chief Risk Officer. This is to ensure true independence of compliance function within Maybank Group.

## RISK MANAGEMENT STRUCTURE




The Board of Directors is responsible for ensuring that risk management policies are established for the various categories of risk and for ensuring an effective internal audit function.

The Board is assisted by the following Board committees in its overall responsibility for risk oversight within the Group:

- Risk Management Committee (RMC)
- Credit Review Committee (CRC)
- Audit Committee (ACB)

Risk Management comprises Credit Risk Management (CRM), Market Risk Management (MRM) and Operational Risk Management (ORM) units, all reporting to the Chief Risk Officer.

While risk taking units have the primary responsibility for managing specific risks assumed by them, Risk Management provides the central resource for developing tools and methodologies for the identification, assessment, quantification, aggregation, monitoring and control of the risks taken by the Group as a whole.

Activities pertaining to internal control and audit programmes are under the purview of the Chief Audit Executive.

## PREPARATION FOR IMPLEMENTATION OF BASEL II

Maybank Group has completed an Integrated Risk Management Project (IRM Project) which puts in place a blueprint and road map for the implementation of Basel II initiatives for the Group. The Group is currently embarking on various critical initiatives for credit risk, market risk and operational risk identified under the IRM Project. The implementation of these critical initiatives is aimed at meeting the implementation of Basel II in Malaysia and further enhancement of the risk management framework of the Group.

To complement the various Basel II initiatives, a Risk Data Management Solution Project has also been initiated to provide a seamless integration of credit, market and operational risks. This Risk Data Management Solution is also equipped with a Basel II capital calculator and risk reporting tool which will provide a foundation for the implementation of the Risk-adjusted Performance Management.

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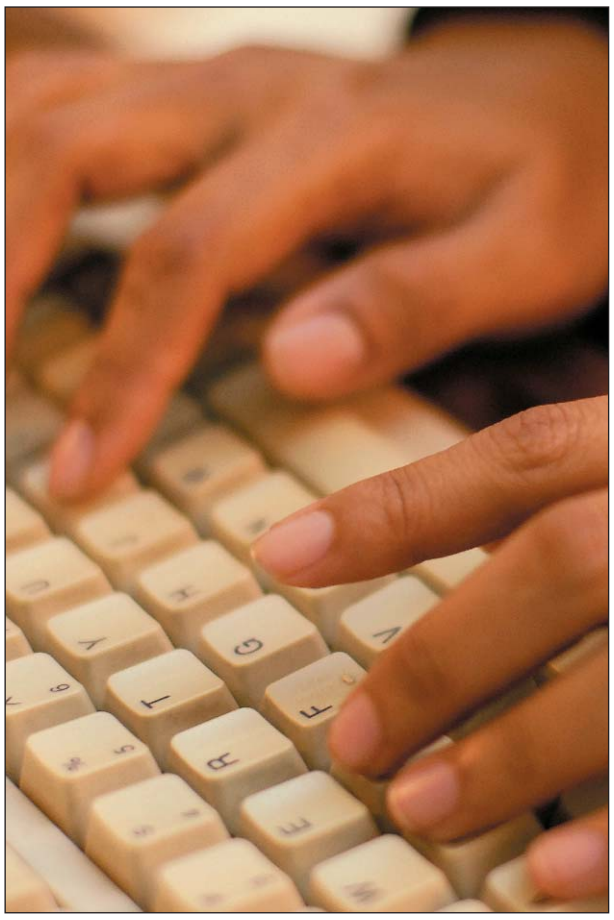


## CREDIT RISK INITIATIVES

Maybank Group intends to adopt the Standardised Approach for credit risk capital charge calculation at the minimum, and at the same time building the framework and infrastructure to meet the requirements under the Foundation IRB Approach.

Critical initiatives currently undertaken by the Group include:

- The Integrated Retail Scoring Solution Project that provides a retail rating system using statistically validated consumer scoring tools for retail loans.
- The Credit Risk Rating System Group-wide Implementation Project that provides a statistically-based internal risk rating system for risk grading of Corporate and Commercial borrowers. For Overseas Business Units, International Risk Rating Scorecards have been developed to harmonize with the domestic Credit Risk Rating System.
- The Collateral Management System Project that provides the framework for meeting the specific operational and monitoring requirements under Basel II for the use of credit risk mitigation techniques.

## MARKET RISK INITIATIVES

Maybank Group has adopted the Standardised Approach for market risk capital charge calculation and is assessing the adoption of the Internal Models Approach subject to the finalization of the Market Risk and Interest Rate / Rate of Return Risk in the Banking Book (MIRCAF) concept paper issued by BNM.

## OPERATIONAL RISK INITIATIVES

Maybank Group intends to implement the Standardised Approach for operational risk capital charge calculation on a group-wide basis by January 2008.

ORM's Group-wide Integrated Operational Risk Management Solution Project (ORM Project) comprises 5 key initiatives as follows:

- ORM Governance & Organisation
- ORM Foundation Activities/Strategy & Policy
- Risk & Control Self Assessment/Key Risk Indicators
- Incident Management and Data Collection System
- Basel II Capital Charge Calculation/Modeling

## RISK DEFINITIONS

**Credit Risk**

CREDIT RISK arises as a result of customers or counterparties not being able to or willing to fulfil their obligations to repay their loans or settle financial contracts.

**Market Risk**

MARKET RISK encompasses price and interest rate risks, all of which are inherent in the ordinary course of Maybank Group's business. Price risk is the risk to earnings as a result of adverse changes in interest rates, foreign exchange rates, equity/commodity prices, etc and their respective correlations and volatilities.

FUNDING LIQUIDITY RISK is the risk that the Group is unable to raise funds to meet its payment obligations on settlement date or in the event of a margin call.

MARKET LIQUIDITY RISK arises from adverse market conditions that do not allow a market participant to withdraw or hedge their positions easily. The adverse movement in market conditions could be caused by the change in market sentiment or due to a specific event or a series of events.

**Operational Risk**

OPERATIONAL RISK is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but do not include strategic and reputational risks.

## CREDIT RISK

CRM is primarily responsible for developing, enhancing and communicating an efficient, effective and consistent credit risk management framework across the Maybank Group, leveraging on people, process and technology.

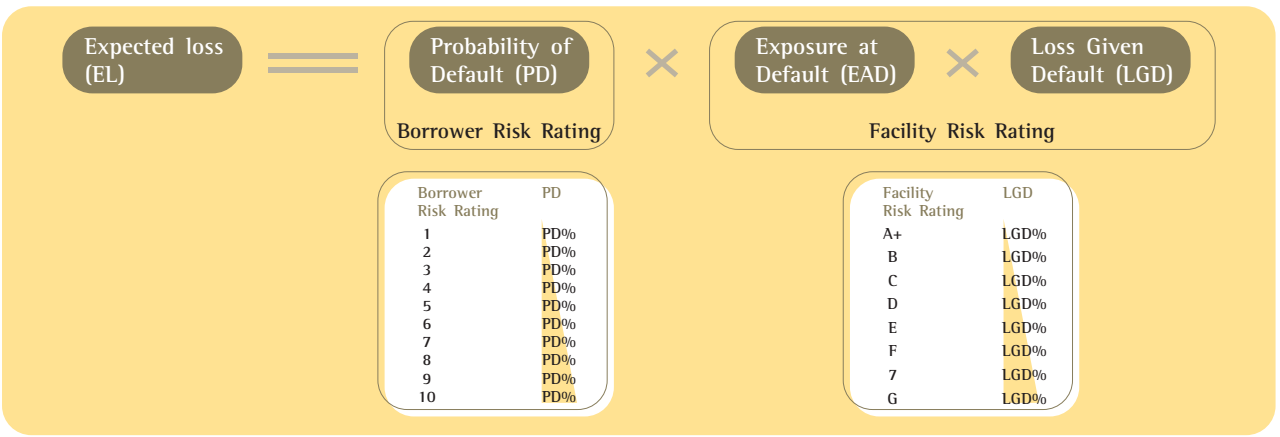
Maybank Group has also implemented a product approval programme to ensure that all risks inherent in new product/financing package and related business activities are identified, with risk mitigation measures emplaced, prior to the launching of the product/financing package. All new products have to be signed-off by the respective risk control units, including Risk Management, Legal, Accounting and Internal Audit and approved by the RMC/Board.

**Credit Risk Identification and Measurement**

- Maybank Group places strong emphasis on the selection and training of credit processing personnel. Newly appointed credit processing personnel are required to undergo comprehensive credit training programs and are required to sit for the Certified Credit Professional examination conducted by the Institute of Bankers Malaysia.
- Maybank Group's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. While business units are responsible for credit origination, the credit approving function mainly rests with the office of the Chief Credit Officer, (CCO) which is independent from the business units and Risk Management.
- Independent pre-approval evaluation of credit application is carried out by the Credit Analysts from the CCO's office while the post-approval evaluation is undertaken by Credit Reviewers from CRM.
- Maybank Group believes that the authority limit for credit approval should be directly related to the risk quantum of the borrower and transaction. In this respect, a Risk-Based Authority Limit has been implemented. This Risk-Based Authority Limit is structured based on the Expected Loss Framework and leveraged on the Group's internally developed Credit Risk Rating System (CRRS).

**Credit Risk Measurement Methodology**

Maybank Group uses the Expected Loss (EL) framework to quantify the credit risk as illustrated below:




The internal risk rating model comprises two components, i.e. the Borrower Risk Rating (BRR) and Facility Risk Rating (FRR).

The BRR is a borrower specific rating component that provides an estimation of the likelihood of borrower going into default over the next twelve months. The BRR quantifies the borrower risk and is independent of the type/nature of facilities and collateral offered. The BRR comprises ten non-default grades, with 1 being the highest grade and 10 being the lowest grade.

The FRR is a facility specific rating component that quantifies the facility and collateral structure risk. The FRR comprises eight grades, with A+ being the highest grade and G being the lowest grade.

**Credit Risk Monitoring and Control**

- To manage large exposures, Maybank Group has in place, amongst others, the following concentration limits and related lending guidelines to avoid undue concentration of credit risks in its loan portfolio:
  - Countries
  - Business Segments
  - Economic Sectors
  - Single Customer Groups
  - Banks
  - Counterparties
  - Collaterals
  - Products

CONTINUES ON PAGE 36

- Post-approval evaluation of credit facilities are subject to independent review by the Credit Reviewers, CRM, which checks that credit facilities are properly appraised and approved.
- Ongoing monitoring and review of borrowers are carried out as a standard requirement of the Group.
- To effectively manage the vulnerable credits of the Group, the following dedicated credit control and recovery functions have been set up:
  - Group Remedial Management at Head Office
  - Loan Management Centres at Regional Offices
  - Consumer Loan Management Centres at Regional Offices

## MARKET AND LIQUIDITY RISK

Market and liquidity risks are inherent in the ordinary course of Maybank Group's business and are especially prevalent in the treasury activities that the Group undertakes. As such, the market and liquidity risk management frameworks of the Group incorporate key risk management principles, which are benchmarked against industry best practices and satisfy regulatory requirements.

The Asset & Liability Management Committee (ALCO), an executive committee chaired by the President and CEO, is primarily responsible for the development and implementation of broad strategies and policies for managing the Group's Balance Sheet and associated risks.

Organizationally, MRM provides independent evaluation/ recommendation to ensure efficient implementation of risk management frameworks within the Group. Its primary responsibilities are the development and implementation of consistent policies and methodologies to identify, measure, monitor, control and report market and liquidity risks.

The Group had established a Market Risk Framework which serves as the base for overall and consistent management of market risk. The Group had also developed an overall Liquidity Risk Framework that functions as a blueprint for the effective and efficient management of liquidity risk in various scenarios/ circumstances.

In respect of risk measurement, the Group had adopted several measurement tools and methodologies, including Value-at-Risk, Earnings-at-Risk, Economic Value of Equity, Duration Analysis, Sensitivity Measures, Simulation Analysis, Liquidity Gap and Behavioural Assumptions.

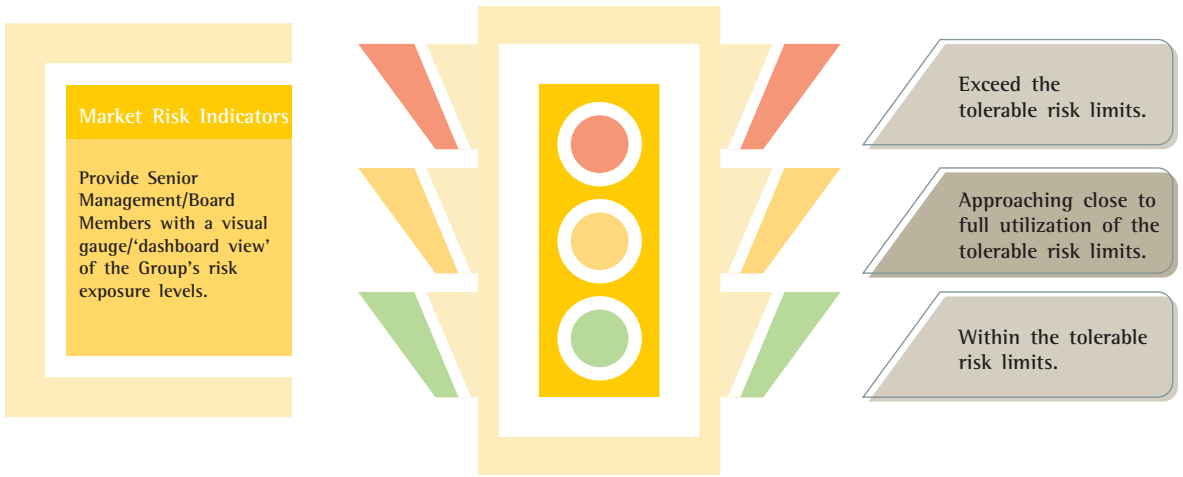
The Group's existing Market Risk and Liquidity Risk Frameworks provide for exception reporting of risk policies/limits violations to senior management and Board members. Further, scheduled reports on Balance Sheet profile, gap/duration analysis, market simulation analysis, key financial performance ratios and treasury activities are submitted to management and board level committees to provide the basis for informed decision making.

In addition, the Group had embarked on an Interest Rate Risk Management (IRRM) Project, which aims to design and implement an effective and efficient IRRM framework that suits the Group's operating environment whilst meeting international best practices. The IRRM project will also ensure the Group's compliance to the relevant regulatory Capital Adequacy Framework and Basel II requirements.

**Market Risk Framework**

The Market Risk Framework outlines the process of identifying, measuring, monitoring and controlling market risk exposures of the Maybank Group. This framework facilitates the Group to manage its market risk exposures in a systematic and consistent manner.

| PROCESS | RISK TOOLS AND MEASURES |
|---|---|
| MARKET RISK IDENTIFICATION | • Identify, assess and review market risk within existing and new products.<br>• New product approval program ensures that all risks in new products are identified, measured and managed before transacting in the product. |
| MARKET RISK MEASUREMENT | • Employ various risk measurement tools to quantify market risks:<br>– Value-at-Risk<br>– Earnings-at-Risk<br>– Economic Value of Equity<br>– Duration Analysis and Sensitivity Measures<br>– Simulation Analysis, inclusive of Stress Test and Back Test. |
| MARKET RISK CONTROL AND MONITORING | • Employ 3 lines of defence to monitor market risk, comprising of Risk Taking Units, Risk Control Units and Audit.<br>• Establish various market risk limits and risk indicators to cap/manage market risk exposures within acceptable risk levels.<br>• Conduct daily/periodic monitoring to ensure adherence to approved risk limits and policies. |
| MARKET RISK REPORTING | • Employ Early Warning System to prompt/initiate proactive actions in managing market and liquidity risk.<br>• Prepare scheduled reporting to senior management and ALCO/RMC/Board to facilitate informed decision making.<br>• Prepare exception reporting on risk limits/policy breaches to ALCO/RMC/Board in accordance to established policies and procedures. |

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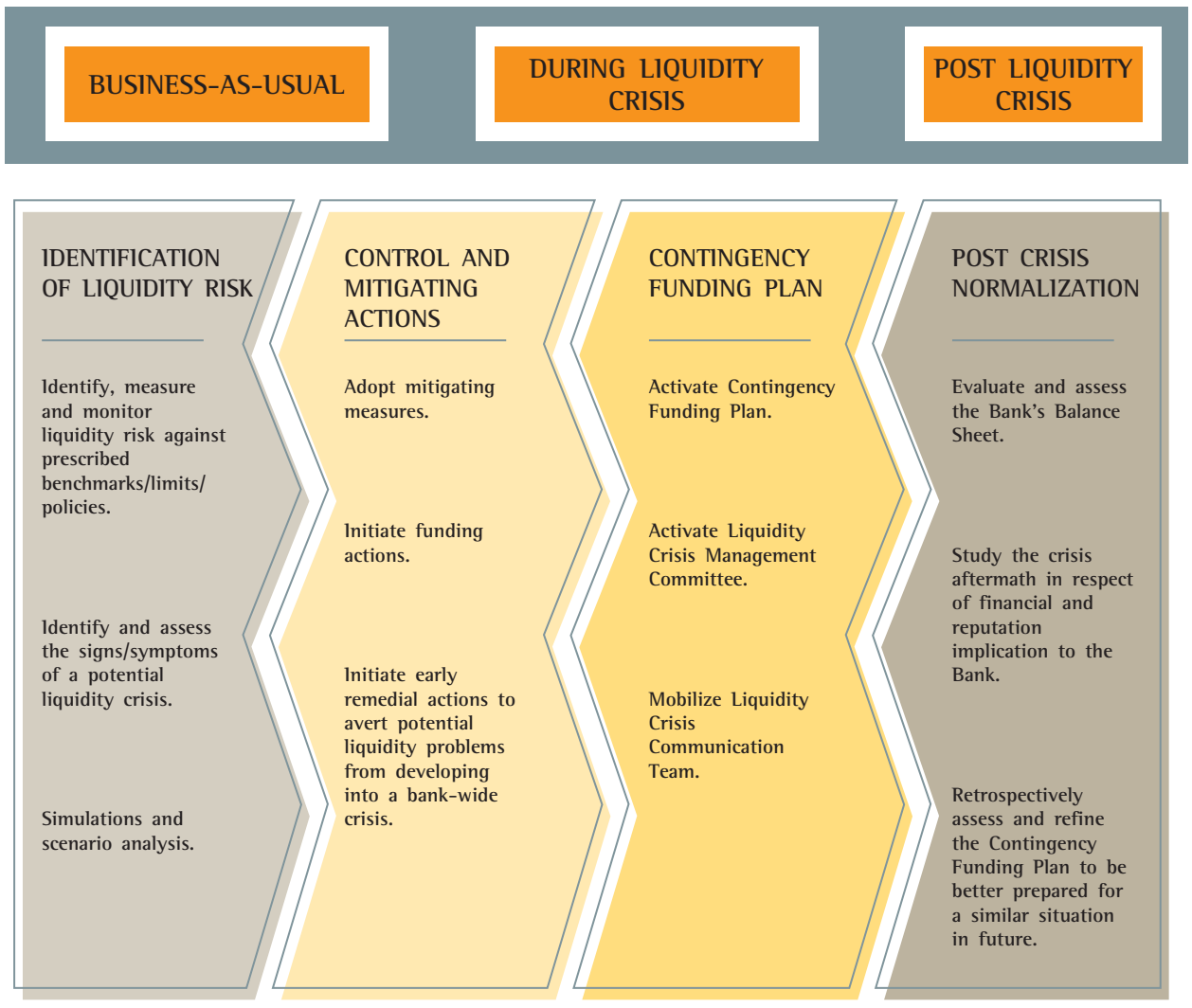
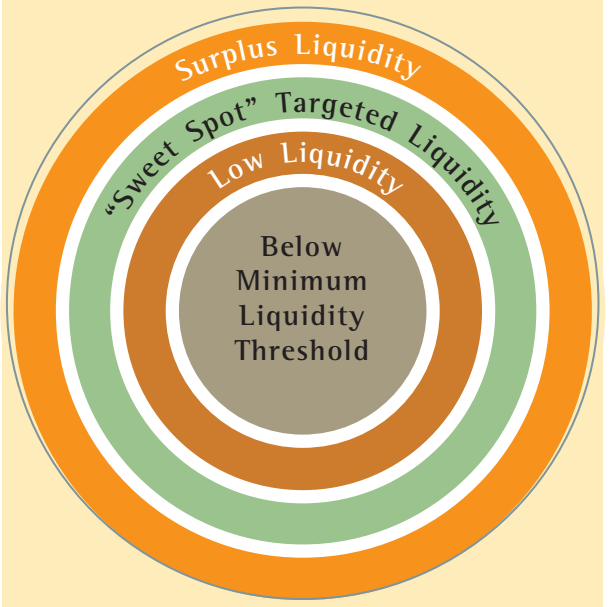
**Liquidity Risk Framework**

The Liquidity Risk Framework encompasses the process of identifying, measuring, managing and controlling liquidity exposures of Maybank Group under normal as well as distressed scenarios. This is to ensure that the Group is well prepared to face liquidity disruptions under various scenarios.

The Liquidity Risk Framework serves as the guiding principle for the overall management of liquidity risk of the Group. This is supplemented by individual Liquidity Policy Statements at each overseas unit which are customized according to the various regulatory and business requirements of both local and overseas units.




## LIQUIDITY RISK INDICATORS

Display the Group's liquidity thresholds, highlighting opposite ends of the spectrum i.e insufficient and/or excessive levels of liquidity. In effect, the green zone reflects the "sweet spots" or targeted liquidity level.

## OPERATIONAL RISK

Operational risk is inherent in all activities undertaken by Maybank Group and such risk cannot be entirely eliminated. In managing its operational risk, Maybank Group strives to adopt the best industry practices, meet regulatory requirements and enhance shareholder value.

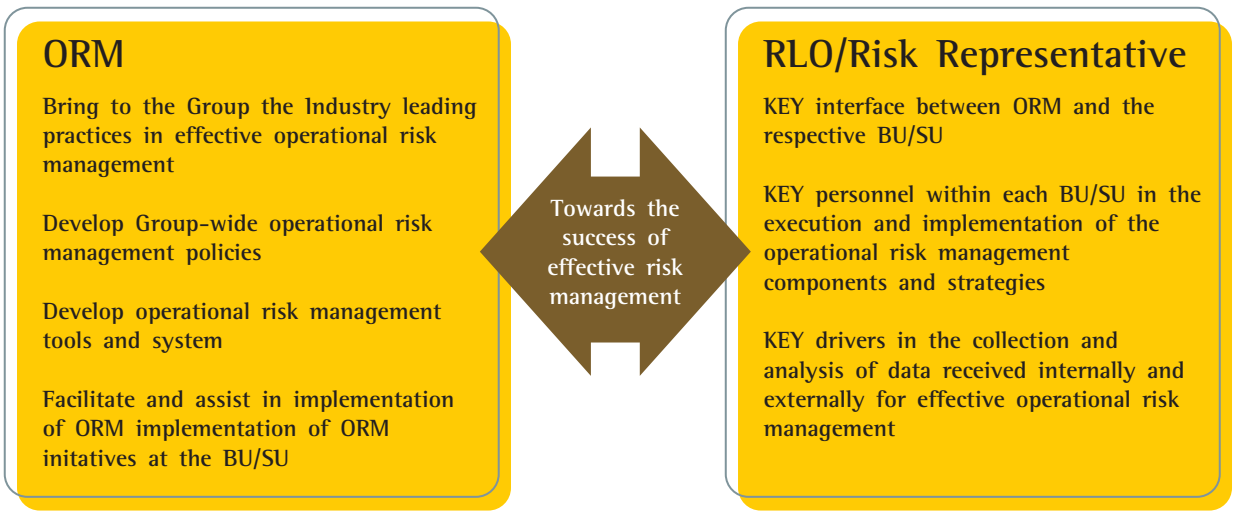
To achieve the above objectives, ORM has launched a Group-wide Integrated Operational Risk Management Solution Project in February 2005. This project involves the validation and implementation of Maybank Group's existing operational risk management broad principles and puts in place effective operational risk management governance structure on a Group-wide basis to achieve a consistent approach in managing the operational risk within the Group.

Risk Liaison Officers and Risk Representatives have been appointed within the various business and specialist/ support units (BU/SU) of the Group. While the Risk Liaison Officers form the key interface between BU/SU and ORM, the Risk Representatives, in turn, form the key interface between the operating unit and the Risk Liaison Officer. The Risk Liaison Officers and Risk Representatives are the key personnel within the BU/SU responsible for implementing and executing the operational risk management processes and tools developed. They are also responsible for the investigation of operational losses; monitoring and analysis of risk trend; and the training of staff on operational risk practices and governance.

To effectively measure and report operational risk exposures on a timely basis thereby serving as a tool to facilitate decision-making and assisting in the operational risk management process, a variety of processes and tools have been developed. These include Risk Control Self-assessment (RCSA), Key Risk Indicators (KRI) and Incident Management & Data Collection (IMDC).

### Role Of ORM vs Risk Liaison Officer (RLO)/Risk Representative

RLO and Risk Representative play a pivotal role towards the effective operational risk management within the BU/SU of the Group

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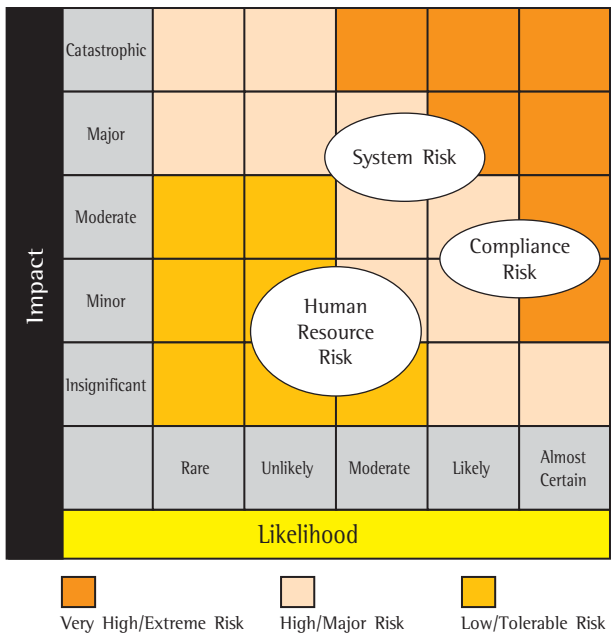
**RCSA**

RCSA is a process of continual assessment of risk controls to identify control gaps and to propose action plans to close the gaps. It is a risk profiling tool which facilitates effective operational risk management for the Group.

**RCSA – Risk Assessment/Profile Matrix**

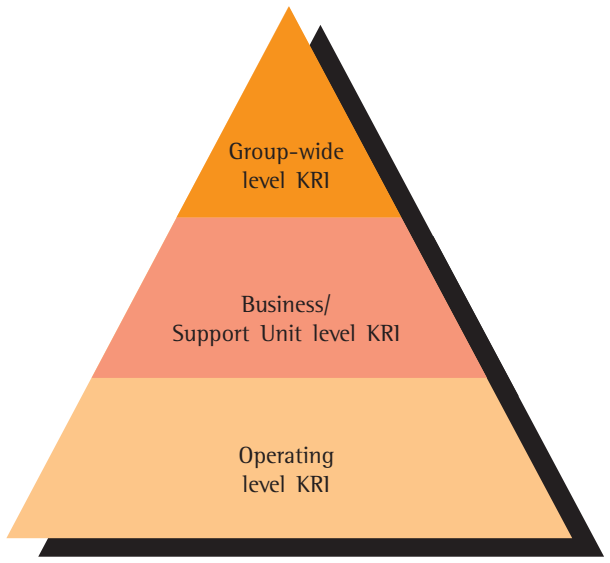



**RCSA – Key Benefits**

- Provide a framework and methodology for comprehensive self-assessment of inherent risks and adequacy of controls in place;
- Provide a management tool for monitoring risks and controls and to complement the risk management structure;
- Provide a framework for Identification of opportunities for improvement across the Group based on international best practices;
- Provide inputs for AMA Capital Modeling when AMA approach is adopted for the BIS II Capital Charge.

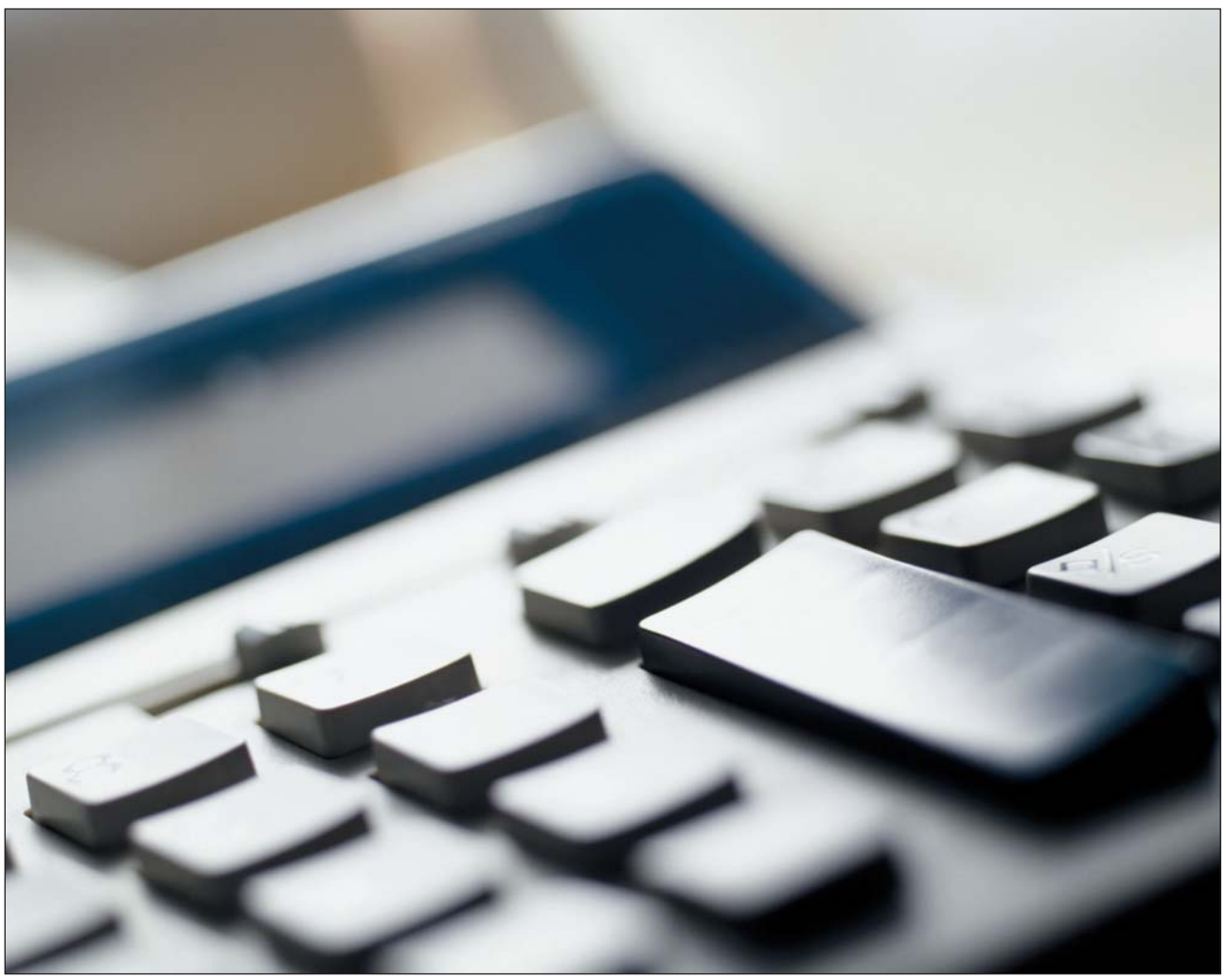
**KRI**

KRIs are indicators embedded into critical processes that provide early warning of increasing risk and/or control failures by flagging up given frequencies of events as a mechanism for continuous risk assessment/monitoring.




**KRI – Key Benefits**

- Provide a management tool to track and monitor critical operational risk exposures over time;
- Provide an early warning signal of changes in the risk environment and the effectiveness of controls;
- Facilitate measurement of risk exposure to act as incentive mechanism for good risk management behavior;
- Keep the operational risk management process dynamic and risk profiles current through ongoing tracking of risk exposures;
- Provide inputs for AMA Capital Modeling when AMA approach is adopted for the BIS II Capital Charge.



**IMDC**

IMDC provides a record and process that identifies and focuses attention on operational "hotspots" and facilitates the minimization of risk impact.

**IMDC – Key Benefits**

- Provide a common mechanism for reporting of incidents based on standard formats and procedures thereby providing a consistent and standardized incident information available through a centralized database;
- Provide a management tool to identify and focus attention on operational 'hotspots' and facilitate minimization of risk impact;
- Provide consistent escalation triggers to different levels of management within the Group;
- Provide a centralized database of loss incidences and near misses to facilitate learning and analysis for future enhancements;
- Provide inputs for AMA Capital Modeling when AMA approach is adopted for the BIS II Capital Charge.

Maybank Group has embarked on the Group-wide Business Continuity Plan (BCP) project since August 2004 to put in place an integrated BCP framework and to promote consistency in the development and testing of BCP within the Group. The BCP infrastructure and channels have been emplaced as part of the BCP implementation. The Group-wide BCP program was rolled out in September 2005 and the implementation is still on-going. Maybank Group has successfully undertaken crisis simulation exercises for selected critical functions in June 2006. The BCP program has been thoroughly tested and it has proven that the Group is able to respond effectively to business disruptions.

A Fraud/Money Laundering Detection System has been implemented since September 2004 to facilitate the centralized monitoring, detection and reporting of fraudulent/abnormal transactions and money laundering activities. Currently, this system covers transactions in current and savings accounts. The implementation covering e-Channel is expected to be operational by September 2006.

A Fraud Reporting Hotline policy has been introduced to provide a framework for staff within Maybank Group to raise genuine and legitimate concerns pertaining to suspected malpractices or impropriety.

On a Group-wide basis, actual operational losses are mapped into the eight business lines and seven loss event type criteria which is consistent with the Basel II requirements. Operational "hotspots" are identified and appropriate action plans developed to minimize the risk impact.

The operational risk management approaches taken by Maybank Group are in line with the qualifying criteria for the Basel II Standardized Approach for the calculation of capital charge on operational risk. These approaches lay the foundation for the implementation of Standardized Approach and form the building block for the eventual adoption of the Advance Measurement Approach. E

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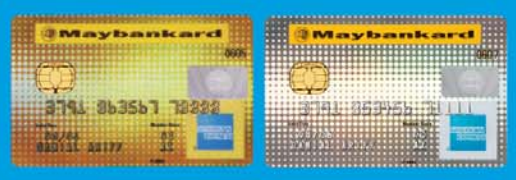


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# MANAGEMENT'S DISCUSSION and ANALYSIS of FINANCIAL PERFORMANCE

## ANALYSIS OF SIGNIFICANT BALANCE SHEET MOVEMENTS

### TOTAL ASSETS

For the financial year (FY) under review, outstanding assets of the Group and Bank expanded by 16.8% or RM32.3 billion and 12.3% or RM21.6 billion respectively. For the previous year, the corresponding growth rates were 6.9% and 22.1% respectively. The higher growth at the Group level is attributed to the acquisition of MNI Holdings. In the case of the Bank, the previous year's asset base included that of the former Mayban Finance. Almost 80% of the Group's growth in assets emanated from the expansion of net loans and advances, holdings of investment securities and insurance fund assets. As at end June 2006, net loans and advances represented 58.6% of total Group assets, slightly lower than the 62.3% as at end June 2005. However, the proportion of interest-bearing assets to total assets was maintained at around 90%.

### SECURITIES PURCHASED UNDER RESALE AGREEMENTS

This item increased by RM1.2 billion, largely on account of higher purchases of Malaysian Government Securities.

### DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

The Group's deposits and placements with financial institutions decreased by RM5.27 billion or 56.5% due to lower placements with Bank Negara Malaysia. The Bank remained a net lender in the inter-bank market.

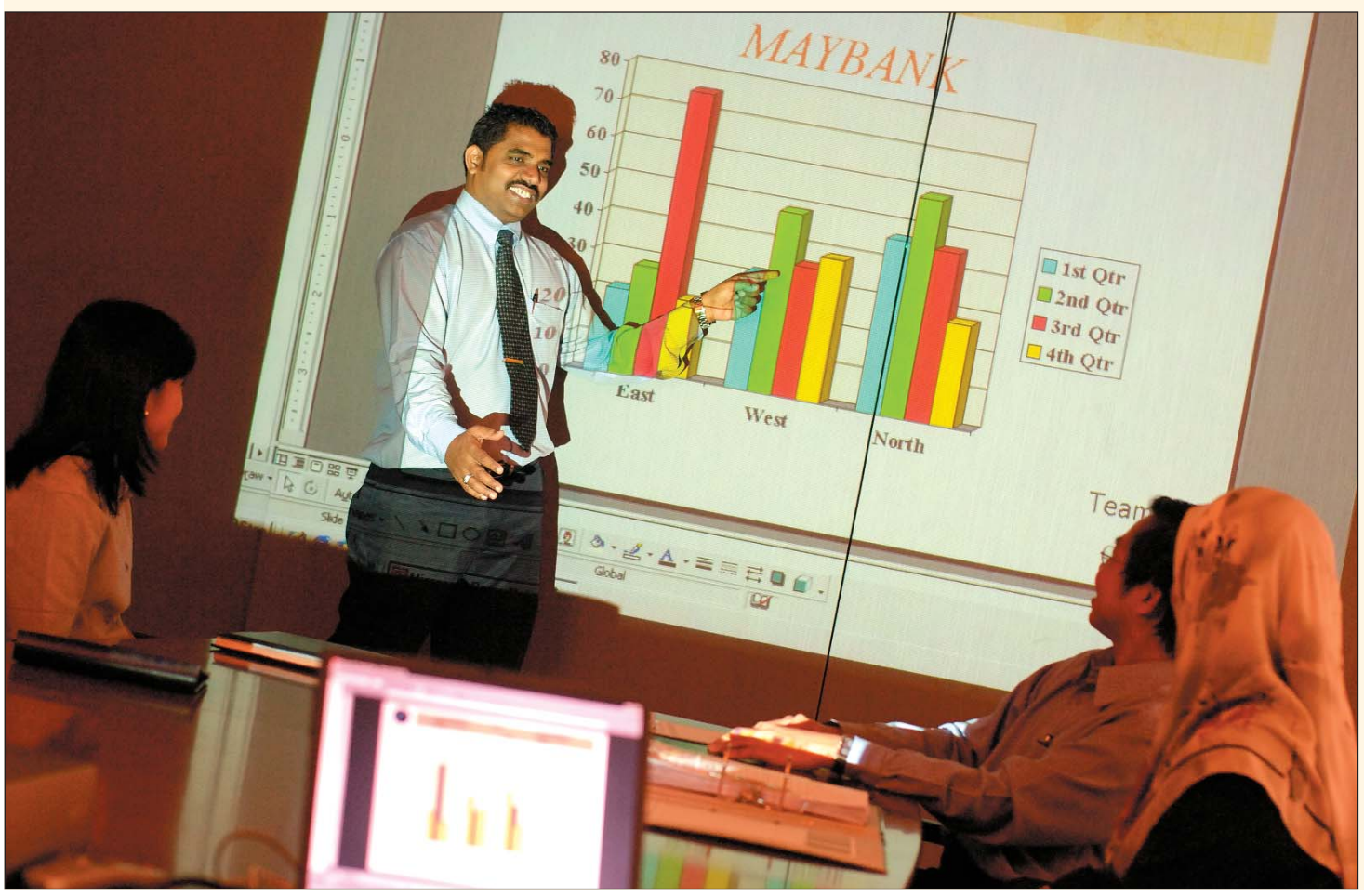
### SECURITIES

The investment securities portfolio of the Group rose by RM5.46 billion or 19.3% which was mainly contributed by the increase in Bankers' Acceptances which carries a lower risk in view of its short term nature.

Around 81% of the securities portfolio comprised securities available-for-sale and a further 17% securities held-to-maturity.

### LIFE, GENERAL TAKAFUL AND FAMILY TAKAFUL FUND ASSETS

This balance sheet item grew by a further RM8.52 billion or 236.6% to RM12.12 billion. The significant growth was a consequence of the acquisition of MNI Holdings Berhad.




### LOANS, ADVANCES AND FINANCING

The Group's net loans and financing rose by 9.9% or RM11.9 billion compared with 9.4% or RM10.3 billion in the previous financial year. On a gross basis, after adjusting for non performing loan (NPL) write offs, the Group's gross loans growth was a higher 10.9% compared with 9.8% previously. The Group's overall domestic loans market share was sustained at 20.3%.

The overall growth for domestic operations slowed down to 6.9% from 9.2% in the previous year. This was largely due to a reduction in corporate loans as a result of further migration to the capital market and due to a number of major facilities maturing.

Lending to the domestic SME sector grew at the higher rate of 15.0% (13.9% previously). Retail loans registered a growth of 8.2% which is lower than the corresponding year's 9.8% on account of the more cautionary stance taken in respect

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of mortgage loans. However, financing for the purchase of securities rose by RM1.3 billion or 17.9% with the bulk of the increase going towards financing the purchase of the relatively low risk ASB units.

The domestic operations' auto-finance loans registered a slower growth of 9.6% compared to 15.8% in the previous year due to slower sales following the announcement of the National Automotive Policy and the consequent drop in trade-in values. Card receivables recorded a growth of 12.1% (9% in the previous year).

In the Group's international operations, Singapore operations' gross loans expanded strongly by 31% or RM5.79 billion with the bulk of it coming from mortgage and auto-finance as they accounted for 58% of the loans portfolio in Singapore, which is consistent with the focus on retail lending. As of June 2006, the overseas operations loan book (including Singapore) accounted for 23% of the Group's loan base.

The Group's Islamic financing grew by 3.9% or RM626.6 million during the year. Islamic financing accounted for 16.9% of the domestic operations' gross loans. The Group retained its premier industry position with regard to the extension of Islamic financing and deposit collection.

The Group's net NPLs declined by RM866 million to RM5.20 billion as at June 2006. Accordingly, the net NPL ratio went down further to 3.84% from 4.9% in June 2005. The Group's loan reserve cover, before taking into consideration collateral, remained at a healthy 69.8% compared with the banking industry's 50.5% as at end December 2005.

### TOTAL LIABILITIES

Outstanding liabilities of the Group went up by 18.1% or RM31.7 billion and for the Bank, by RM21.5 billion or almost 13.4%. As per the explanation on assets, for the Group, 58% of the overall increase came from the increase in insurance funds and deposits and placements of other financial institutions.

### DEPOSITS FROM CUSTOMERS

The Group's customer deposits grew by a lower 3.9% or RM5.15 billion compared with 6.2% or RM7.7 billion in the previous year. This is attributed to the active management of the funding cost structure as well as due to the receipt of the proceeds from the issuance of the subordinated debt instruments which negated the need for an aggressive deposit mobilization strategy. The Group's overall deposit funding mix continued to improve. For domestic operations, the `higher-cost' fixed deposits and Negotiable Instruments of Deposits (NID) now constitute only 47.7% of total domestic deposits from 53% in June 2005. In contrast, the ratio for the banking system was a much higher 61.9%.

The Bank's pricing capacity was enhanced by its strong market shares in demand and savings deposits which stood at 21.1% and 28.9% respectively at end June 2006.

### DEPOSITS AND PLACEMENTS OF FINANCIAL INSTITUTIONS

This item grew by RM10.3 billion or 56.35% and was part of the Group's routine funding of its gapping activities. This significant growth had a corollary impact on the asset side as evidenced by the 41.8% or RM9.4 billion increase in cash and short term funds.

### OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (REPOS)

Total repos went up by 60.9% or RM4.6 billion, primarily due to higher Bankers' Acceptances sold under repos.

### RECOURSE OBLIGATIONS ON LOANS SOLD TO CAGAMAS

For the Group, this item saw a decline of RM1.26 billion or 25.3% and was part of the Group's routine funding strategy.

### SHAREHOLDERS' EQUITY

The Group's shareholders equity went up by RM274 million or 1.7% to RM16.8 billion. The increase is mainly due to shares issued pursuant to the Group's Employee Share Option Scheme.

# ANALYSIS OF THE INCOME STATEMENT

### NET INTEREST INCOME

Net interest income of the Group increased by RM265.2 million or by 6.2%. This was higher than the previous year's 5.8% due to the growth in the loan book size. However, the average net interest margin fell by 8 basis points to 2.79%. This was due to the inclusion of assets from the insurance business that have relatively low margins as well as the significant increase in short term fund placements in the last quarter.

### ISLAMIC BANKING

Net income (before financing loss) from the Group's Islamic Banking operations improved by a substantial RM176.3 million or 24.8% to RM887.4 million. This represented about 10.9% of the Group's revenue. After financing loss, Islamic Banking operations contributed about 17% to the Group's profit before tax.

### NON-INTEREST INCOME

The Group's ongoing strategy to focus on fee income to drive revenue growth continued to bear results. Overall non-interest income for the Group grew by RM560.2 million or 25.9% which included unrealized gains on the revaluation of securities and derivatives. Even after excluding the gains, the increase was a respectable 13.1%. Notable increases were recorded for insurance net premiums (+RM120 million or 50%), foreign exchange (+RM91.9 million or 31.1%), commissions (+RM31.7 million or 6.7%) as well as service charges and fees (+RM32.6 million or 6.7%). The increases reflect in part the increased trading opportunities resulting from the floating of the Ringgit as well as the benefits reaped from the Group's extensive payment services infrastructure.

Due to lower market turnover, brokerage income from stockbroking activities declined significantly by 28.5%.

The Group's fee income ratio improved to 34.3% from 31.1% in the previous year. Excluding the unrealized gains following the revaluation of securities, the ratio would be 32%.

### OVERHEAD EXPENSES

The Group's overhead expenses increased by RM406 million or 14.4% from the 8.4% recorded in the previous year. As this trailed revenue growth, the Group's cost-to-income ratio increased marginally to 39.5% from 39.4% previously.

The growth in overhead costs is mainly attributable to the acquisition costs of the MNI Group of companies. However, despite the increase, the Group's productivity levels registered further improvements.

### LOAN AND FINANCING LOSS AND PROVISIONS

Loan loss and provisions of the Group amounted to RM883.4 million or 7.2% higher than that of the previous year. However the Specific Provisions charge for the year declined by 21% to RM1.29 billion on account of lower provisions for newly classified NPLs as evidenced by the reduction in the default rate from 7% in the previous financial year to 4.7%.

The Group revised its general provision policy to 1.75% of total risk weighted assets from 2.0% previously following the decision to write-off 100% of the collateral value of NPLs aged more than 7 years and 60% for those aged between 5 to 7 years. Outstanding GP currently constitutes 1.78% of net loans and advances.

### TAXATION

The effective tax rate of the Group is at 28.9% which is slightly higher than the statutory rate of 28%.

# 2005 ASIAMONEY AWARDS

Best Malaysian Commercial Bank

Best Domestic Providers for Local Currency Products • Currency Linked

Best Domestic Providers for Local Currency Products • Interest Rate Linked

Best Domestic Providers of FX Services as voted by Malaysian Market

Best Domestic Providers of FX Services as voted by Corporates

Best Domestic Providers for FX Sales as voted by Malaysian Market

Best Domestic Providers for Single Electronic Trading Platform as voted by Malaysian Market

Best Domestic Providers for Innovative FX Products and Structured Ideas as voted by Malaysian Market

Best Local Cash Management Banks • Most Innovative Solutions

Best Local Cash Management Banks • Best Overall for Domestic Services

Best Local Cash Management Banks • Best at Implementing Solutions

Best Local Cash Management Banks • Best at understanding your Business Strategies, Objectives and Requirements

Best Local Cash Management Banks • Best Solutions for Liquidity Management, Receivables and Payables

Best Local Cash Management Banks • Best Local Bank

## Your Support means the World to us

On these shores and beyond, your long-standing support and loyalty have built our stature as a financial leader. As we receive these awards, given in recognition of our performance by our peers and the industry, we would like to dedicate them to you, our customers and staff. After all, sharing our success is the best way to tell you how important you are to us.

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# MAYBANK GROUP AWARDS

## 2006

Global Finance Award – Best Foreign Exchange Bank in Malaysia

The Asset Asian Award – Best Cash Management Bank

Sheikh Mohammed bin Rashid Al Maktoum Islamic Finance Award – Global Continuing Contribution to Islamic Retail Development

Reader's Digest – Trusted Brand Gold Award

Malaysian Business Awards – Best Corporate Social Responsibility Award

Malaysian Business Awards – Best Corporate Governance Award (Second placing)

CGC Top SMI Supporter Award

Euromoney Award for Excellence – Best M&E House in Malaysia (Aseambankers)

Sheikh Mohammed bin Rashid Al Maktoum Islamic Finance Award – Regional Continuing Contribution to Islamic Finance R&D (Asia) – Aseambankers

RAM League Award – Islamic – 1st Place (Issue Value) – 3rd in Number of Deals

RAM League Award – 3rd Place (Number of Deals & 3rd Place (Issue Value)

## 2005

Asiamoney Award for Best Domestic Commercial Bank

Global Finance Award for Best Emerging Market Bank – Malaysia

Asiamoney Annual Award – Best Cash Management – Local

Asiamoney Annual Award – Best Local Foreign Exchange Provider

Asiamoney Annual Award – Trade Finance for Best Overall Domestic Services

Asiamoney 15th Anniversary Poll of Polls (past 15 years) for Best Local Cash Management, Best Local Forex and Best Trade Finance (Overall)

Asiamoney Annual Awards for Aseambankers Malaysia Berhad: Participation in Malaysian Deal of the Year and Regional Deals of the Year Local Currency

Quality Management Excellence Award from the Ministry of International Trade and Industry

National Award for Management Accounting (NAfMA) Best Practice Excellence Award

IBM's "Innovation That Matters" Award to Financial Services Group

Malaysian Media Awards: Gold Award for Maybankard Travel Treats Campaign in the category "Best Use of Newspaper"

MasterCard Asia Pacific Marketing Leadership Awards: Best Overall Marketing Program

Anugerah Citra Wangsa by Dewan Bahasa dan Pustaka (DBP) for best use of Bahasa Malaysia in a TV commercial

CGC Top SMI Supporter Award

## 2004

The Banker Award for "Bank of the Year" in Malaysia

Asiamoney Award for Best Bank in Cash Management in Malaysia

Euromoney Annual Islamic Finance Award – Best Provider of Islamic Financial Services in Asia

Euromoney Annual Islamic Finance Award to Aseambankers Malaysia Berhad for Best Islamic Wholesale Financial Services Provider

Silver Award under the Singapore H.E.A.L.T.H. Awards organised by the Health Promotion Board, in recognition to organisations with excellent workplace health promotion programmes

KLSE Corporate Sectoral Award in the Finance sector of the Main Board

Malaysian Business Corporate Governance Merit Award

MasterCard's Asia Pacific Market Leadership Awards: GOLD – Best MasterCard Electronic Card (Maybank Money Gift Card, Singapore) PLATINUM – Best Commercial Card (Maybank Business Card, Singapore)

CGC Top SMI Supporter Award

## 2003

The Banker Award for "Bank of the Year" in Malaysia

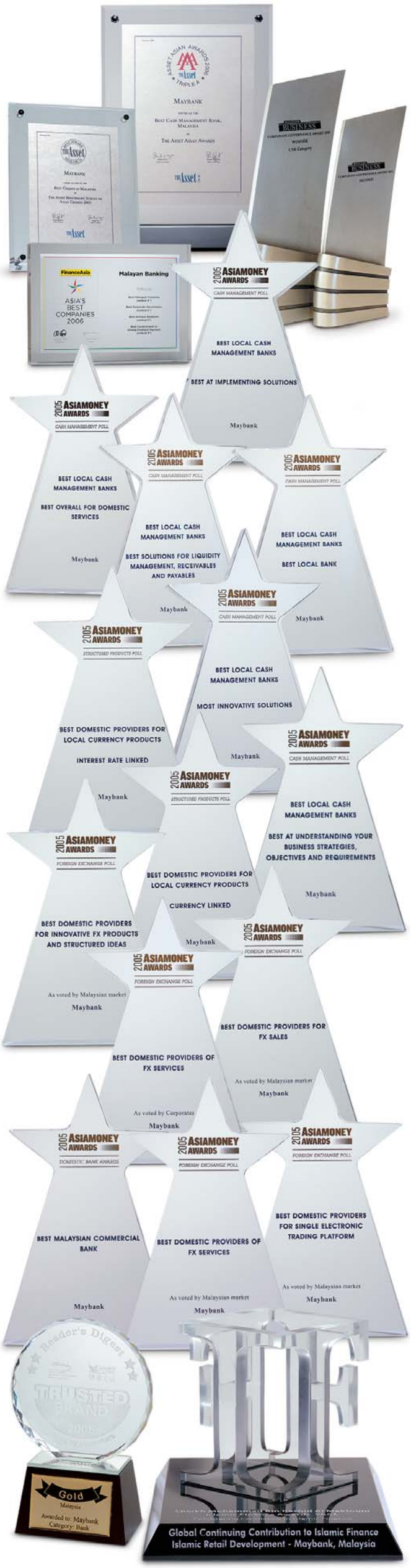
Euromoney Award for Excellence – Best Islamic Retail Bank

Euromoney Award for Excellence to Aseambankers Malaysia Berhad for being "Best at Islamic Bonds"

Kuala Lumpur Stock Exchange (KLSE) Corporate Excellence Award

CGC Top SMI Supporter Award

The Edge-Lipper Award for Mayban Balanced Trust Fund (No. 1 position in Mixed Asset Balanced Funds)




## 2002

Global Finance Award for Best Consumer Internet Bank in Malaysia

Global Finance Award for Best Consumer Online Securities Trading in Asia Pacific

Global Finance Award for Best Foreign Exchange Bank in Malaysia

Kuala Lumpur Stock Exchange (KLSE) Corporate Excellence Award

CGC Top SMI Supporter Award

Arts Supporter Award from the National Arts Council of Singapore

Best of e-Commerce Interactive Marketing Innovations – Asia Pacific ICT Awards [MSC-APICTA]

## 2001

Best Internet Application Website@My 2001

Global Finance – Best Internet Bank in Malaysia

Euromoney Award for Excellence – Best Bank in Malaysia

The Asset Asian Awards – Best Malaysian Bank

CGC Top SMI Supporter Award

Investor Relations Magazine Asia Awards – Best Investor Relations By A Malaysian Company

"Risk Manager of the Year" from the Malaysian Association of Risk and Insurance Management for the Mayban Assurance Berhad – UMBC Insurans Integration Team

Arts Supporter Award from the National Arts Council of Singapore

## 2000

Euromoney Award for Excellence – Best Domestic Bank in Malaysia

The Banker Award for "Bank of the Year" in Malaysia

Euromoney Awards for Excellence to Aseambankers Malaysia Berhad for the "Best Domestic Bond House in Malaysia" and "Best Domestic Equity House in Malaysia"

Crystal Award to Mayban Finance Berhad for Best Community Relations from the Institute of Public Relations Malaysia (IPRM)

CGC Top SMI Supporter Award

## 1999

Global Finance Award for Best Domestic Bank in Malaysia

CGC Top SMI Supporter Award

Asia Industry Award to Mayban Life Assurance – Life Insurance Company of the Year

## 1998

Finance Asia Award for Best Domestic Commercial Bank

CGC Top SMI Supporter Award

Asiamoney Award for being voted one of the Best Managed Companies in Malaysia

## 1997

Asian Banking Digest Award – Winner for outstanding progress in regional expansion

Asiamoney Award for the Best Managed Company in Malaysia

Asiamoney Award for the Best Bank in Currencies in Malaysia

Asiamoney Award for Malaysia's Commercial Bank of the Year

CGC Top SMI Supporter Award

## 1996

Euromoney Award for Excellence – Best Domestic Bank in Malaysia for increasing profitability and a healthy return on equity

Asiamoney Award for being voted one of the Best Managed Companies in Malaysia

CGC Top SMI Supporter Award

## 1995

Euromoney Award for Excellence – Best Domestic Bank in Malaysia for its impressive return on equity

Asian Institute of Management Award for "General Management"

## 1993

Euromoney Award for Excellence – Best Bank in Malaysia for its impressive profitability and innovation

## 1992

Asian Institute of Management Award for "Information Technology Management"

## 1991

"IT Organisation of the Year" from Association of the Computer Industry Malaysia (PIKOM)

# CORPORATE SOCIAL RESPONSIBILITY

## THE MAYBANK GROUP IS AWARE OF ITS ROLE AS A CORPORATE CITIZEN AND HAS ALWAYS ADVOCATED 'GROWING WITH RESPONSIBILITY' AS THE FOUNDATION FOR OUR CORPORATE SOCIAL RESPONSIBILITY (CSR) PROGRAMMES.

The Group has an enormous task to strike a balance between responsibility to its stakeholders as well as fulfilling its corporate citizenry obligations. The focus remains on consistently engaging with the community and delivering value through our interaction as we strive to enrich the lives of the communities around us.

As a testimony to Maybank's commitment in its CSR programmes, the bank was awarded the Malaysian Business Award for Best Corporate Social Responsibility this year.

## CSR IN BUSINESS

Maybank has, since its inception in 1960, stayed true to its objective to be a dynamic change agent in financing business expansion and assisting national economic growth. In line with this, the Bank has endeavoured to extend its banking services to traditionally under-served groups in Malaysia including the rural community and school children. This is a form of contributing back to the community, although these are typically perceived to be high cost-to-serve segments. These efforts are also fundamental to Maybank's broader strategy to create a more equitable distribution of financial services in the country.

On the business side, the Group engages with customers who also have a responsibility to society and the environment. On the community aspect, the Group is aware that it has an obligation to reciprocate their support and loyalty as customers.

Maybank also has an internal policy against unethical lending or lending to businesses whose activities may have a negative environmental impact. This stand is part of the Group's overall core values to promote ethical business practices and is enforced by the highest levels of the management. The Mayban Ethical Trust Fund is also another strong statement by both Maybank Group and the investing public of our joint support for Malaysian companies that adopt ethical policies and principles in their business activities.

Our credit risk policy accords importance to CSR compliance and undertakes proactive initiatives with clients to assist them to comply with good governance. This helps to ensure continuity of financing for their business growth as well as enable them to enjoy sustainable support from discerning investors.

## CSR IN THE COMMUNITY

Maybank has consistently undertaken programmes to play a meaningful role in the development of the community, in all locations where we operate, because we believe in growing with responsibility.

During this financial year, Maybank committed over RM13 million for its CSR programmes, which were focused on the key areas of educational development, welfare, medical causes, sports, arts and culture and environmental conservation.

### EDUCATIONAL DEVELOPMENT

Maybank Group's Scholarship, Education and Training Award Schemes are an important community programme for which a significant amount is allocated annually. During the year, 66 students were awarded scholarships for undergraduate studies in public universities while eligible Yippie accountholders and children of employees who excelled in public examinations received academic excellence awards. In addition, Takaful Nasional, a member of the Maybank Group, provided cash awards for 23 top students and two schools in Kuala Lumpur.

Maybank also supported the NST School Sponsorship Programme by underwriting the subscription of English newspapers for 60 rural schools for a period of one year to support the Government's effort to promote greater proficiency in English as well as good reading habits among students.

As one of the Trustees of Perdana Leadership Foundation, Maybank continues to support the research activities of the Foundation, which aims to educate the public on the contributions of the past prime ministers of Malaysia.

Maybank Group also invests significantly each year in staff training and development programmes, including e-learning systems, to enhance the professionalism of employees.

### SPORTS DEVELOPMENT

Maybank created a milestone for Malaysian sports during the year when it announced a five-year title sponsorship of the Malaysian Golf Open, one of the most prestigious golf tournaments in Asia. This event, which carries world-ranking points and attracts global viewership, aims to attract leading golfers around the world to participate in one of key international golf tournaments in the region. The Maybank Malaysian Golf Open 2006, held in February 2006, was one of the major international events in the country's sports calendar and assisted in promoting tourism as well as showcasing the country's ability to host international events.

In addition, Maybank lent support to many other sporting activities during the year such as the 11th Malaysia Games in Kedah and the Malaysian Lawn Bowls Federation, as part of our efforts to encourage excellence and promote unity through healthy activities.

Maybank has for many years also, been promoting the development of sports by providing employment to numerous talented sportspersons. Apart from career opportunities, the Group provides on-going training for them to bring glory to the institution and the country.

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## CARING FOR NEEDY COMMUNITIES

The underprivileged are never left out of the Group's corporate social responsibility programmes. Maybank makes regular contributions to welfare organizations to help them serve those who are most in need.

One of the major projects initiated during the year was the fund raising effort for the Armed Forces Welfare Fund in conjunction with the Independence Day celebrations. Maybank, in collaboration with the New Straits Times Press, established the "Tabung Perwira Maybank–NSTP" (Maybank-NSTP Warriors Fund) to enable Malaysians to contribute to the welfare of the armed forces, using the bank's wide delivery channels including the internet portal, Maybank2u.com.

Maybank started the fund with a contribution of RM200,000, and by the end of the two-month campaign, an additional amount of over RM269,000 was raised.

Maybank supported an important global peace initiative by being a major sponsor for the Perdana Leadership Foundation's Global Peace Forum 2005 held in Kuala Lumpur, which aimed to advocate peaceful means of resolving conflicts.

In addition, Maybank provided sponsorship for numerous projects undertaken by organisations such ERA Consumer, Federation of Malaysia Consumers Association, World Assembly of Youth and Yayasan Tabung Tenaga Berdikari Berdaftar Kelantan, which help improve the lives of the community.

In Singapore, Maybank continued with its support for the Kidney Dialysis Foundation through a fund raising campaign among employees and card members. It also sponsored the Singapore After-Care Association Children's Holiday Programme where families of ex-offenders and inmates were treated to a special outing at Snow City to encourage bonding.

Maybank Philippines continued its CSR programmes through its annual MaybanKalinga programme to bring cheer to the less fortunate as well as by participating in other social and community outreach projects. Contributions were also given to a children's institution, Caritas Manila and to surviving families of the Guinsaugon landslide.

## ENVIRONMENTAL CONSERVATION

Maybank has been committed to environmental issues as part of our contribution in promoting sustainable development as well as harmony in nature. Maybank is a member of the Business Council for Sustainable Development in Malaysia and supports the various activities and noble efforts of the council.

The Group also continued to contribute towards the protection of endangered species through the sponsorship of tigers and fish owls at Zoo Negara, Zoo Taiping and Zoo Melaka.

In the Philippines, Maybank contributed to a reforestation project of the La Mesa Watershed, the last remaining forest in Metro Manila and an important water supply source. Maybank will earn the right to name the trees it adopted and help nurture them.

Ibrahim Hussein '78

## MEDICAL AND HEALTH

In the area of medical and health programmes, the Maybank Group Welfare Fund makes annual contributions of critically needed medical equipment to public hospitals to treat the sick. This fund was established in 1990 with an initial contribution of RM1 million which was later increased to RM2 million. The income generated from the Fund each year is used for the purchases of the medical equipment. This year, the Fund contributed equipment comprising a diagnostic ultrasound machine, biosafety cabinet and intensive portable incubator to two hospitals in Kuala Terengganu and Hulu Terengganu.

Maybank also contributed to organizations such as Malaysian Medical Relief Society (MERCY) and Hospis Malaysia, which provide medical assistance and relief services to communities affected by calamities as well as palliative care to the terminally ill.

## ARTS & CULTURE

Maybank reaffirmed its commitment to the arts with the sponsorship of two art exhibitions during the year, which were held at Balai Seni Maybank.

The first exhibition was an abstract art exhibition by self-taught Johor-born artist, Ungku Farah Rahman entitled "*i* Exist", held in July 2005. In April 2006, Maybank sponsored another unique art exhibition entitled 'On War & Peace', which featured over 40 artworks by 16 artists from two local institutions of higher learning, namely University Teknology MARA and Limkokwing University College of Creative Technology. The artworks were created in conjunction with World Peace Day, organised by Peace Malaysia in December 2005, to encourage young Malaysian artists to be peace activists via the use of art.

# AWARDS & RECOGNITION

## OCTOBER 2005

- Maybank received the Global Finance Award for the "Best Foreign Exchange Bank in Malaysia".

- Maybank received The Asset Asian Award for Best Cash Management Bank.

## MARCH 2006

- The Maybank Group clinched two major awards in the second 'Sheikh Mohammed Bin Rashid Al Maktoum Islamic Finance Awards', which were presented at the International Islamic Finance Forum (IIFF) held in Dubai, UAE. Maybank received an award for "Global Continuing Contribution to Islamic Retail Development" while its Investment Banking unit, Aseambankers, received the award for "Regional Continuing Contribution to Islamic Finance Research & Development (Asia)".

## MAY 2006

- Maybank received the Malaysian Business Award 2005 for "Best Corporate Social Responsibility".

- Maybank was awarded the Reader's Digest Trusted Brand Gold 2006 Award.

## JUNE 2006

- Aseambankers, the Investment Banking unit of Maybank Group received the RAM League Award – Islamic 2005 for 1st Place (Issue Value) and 3rd in Number of Deals.

- Aseambankers received the RAM League Award 2005 for 3rd Place in Number of Deals and 3rd Place in Issue Value.

- Maybank received the CGC Top SMI Supporter Award 2005 for the 11th consecutive year.

# GROUP CORPORATE HIGHLIGHTS

## KEY CORPORATE EVENTS

### JULY 2005

- Maybank and Mizuho Corporate Bank jointly organised a seminar at Menara Maybank to update Japanese investors in Malaysia on economic and banking issues. The seminar was part of an on-going series to keep these investors abreast of latest financial and economic developments which can assist them in their business operations.

- Maybank Singapore became the first QFB bank to open a Branch in the vicinity of Choa Chu Kang. Dato' Richard Ho, Vice Chairman officiated at the opening of the Branch.

### AUGUST 2005

- Maybank Group announced a record operating profit (before tax and provisioning) that hit the RM4 billion mark for the first time, reaching RM4.32 billion for the year ended 30 June 2005, up 12.2% from RM3.85 billion the previous year. The Group's pre-tax profit rose to RM3.49 billion for the year, 4% higher than the RM3.36 billion recorded last year.

- Mayban Fortis Holdings Berhad entered into a conditional Sale of Shares Agreement with Permodalan Nasional Berhad (PNB) and Amanah Raya Nominees (Tempatan) Sdn Bhd – Skim Amanah Saham Bumiputera (ARN-ASB) to purchase a collective 74.24% equity interest in MNI Holdings Berhad (MNIH), one of the largest local insurance companies in Malaysia. 1

- Maybank signed an agreement with Maxis and Celcom to enable Maybank2e.net, its enterprise cash management portal, to adopt 3G technology services for seamless broadband connectivity. Under this agreement, enterprise customers will enjoy wireless connectivity from their desk/laptops and 3G mobile phones to Maybank2e.net, providing instantaneous decision making tools for their enterprise cash management needs.

- Maybank sponsored a seminar and dialogue session with Dato' Seri Rafidah Aziz, Minister of International Trade and Industry, Malaysia, on Business Opportunities in Malaysia. The seminar was held in Singapore.

### SEPTEMBER 2005

- Maybank became the first bank to introduce the Floor Plan Facility for automotive distributors in Malaysia through an agreement for a RM70 million Floor Plan Facility with HICOMOBIL Sdn Bhd, the franchise distributor for Chevrolet motor vehicles in Malaysia. The Floor Plan Facility is a comprehensive financing scheme to finance the purchase of new stock of Chevrolet motor vehicles by authorised dealers from HICOMOBIL. 2

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- Maybank Philippines appointed MAPFRE Asian Insurance Corporation (MAPFRE) to provide insurance cover on the collaterals securing the loans of Maybank clients as well as on the Bank's acquired assets.

### OCTOBER 2005

- Maybank's Ho Chi Minh City branch was open for business, the second branch in Vietnam in addition to the existing one in Hanoi. The Ho Chi Minh City office previously operated as a representative office since 1996. The first Maybank branch in Vietnam was opened in 1995 in Hanoi.

- Maybank, Aseambankers and Mayban Securities entered into a Memorandum of Understanding with Amanah Saham Nasional Berhad (ASNB), a wholly owned subsidiary of Permodalan Nasional Berhad, for the sale of the entire issued and paid-up share capital of Mayban Unit Trust Berhad to ASNB.

### NOVEMBER 2005

- The Maybank Group announced a pre-tax profit of RM946.9 million for the quarter ended 30 September 2005, 19.4% higher than the RM793.2 million in the previous corresponding period. Net profit for the quarter rose 21.2% to RM672.9 million from RM555.0 million in the previous corresponding quarter.

### DECEMBER 2005

- Malaysia National Insurance (MNI) and Takaful Nasional officially became part of the Maybank Group, following the completion of the purchase of 74.24% stake in MNI Holdings Berhad (MNIH) by Mayban Fortis Holdings Berhad.

- Tenaga Nasional Berhad (TNB) signed an agreement with Maybank for the implementation of TNB's enterprise cash management activities using Maybank2e.net solutions.

- Maybank Philippines signed an agreement with IBM, through its accredited vendor Right Computer Systems, to upgrade the hardware platform which runs its Silverlake Banking Solution to an IBM eServer iSeries platform.

- Maybank Philippines participated in a USD80 million syndicated loan facility for Integrated Microelectronics Inc. (IMI), initially worth USD2.5 million for 1 year, with option to extend for another year. Maybank Philippines joined 11 other banks in the syndication, with KBC Bank N.V. Singapore Branch as Agent and Lead Underwriter. IMI, a company engaged in the packaging of integrated circuits, is 80% owned by Ayala Corporation, one of the top companies in the Philippines.

- Maybank Philippines participated in a Philippine Peso 1.5 billion loan syndication in corporate notes for the Quedan and Rural Credit Guarantee Corporation (QUEDANCOR), priced at Philippine Peso 190 million with a term of five years.

### JANUARY 2006

- Maybank Ho Chi Minh City was officially opened as the second Maybank branch in Vietnam at a cocktail reception. Tan Sri Mohamed Basir bin Ahmad, Chairman of Maybank officiated the event which was witnessed by Encik Zainal Hamzah, Consul General of Malaysia in Ho Chi Minh City. 3

### MARCH 2006

- Maybank successfully entered into a landmark deal for a 5-year USD350 million term loan facility with 11 global banks with a pricing level of LIBOR + 18 basis points. This syndication established a new benchmark for the Malaysian financial markets as it marked the first time in which the tenure for such a loan to a financial institution has exceeded three years.

- Maybank Philippines signed an agreement allowing MAA Assurance Philippines to offer full-service, on-the-spot insurance quotations, policy issuance and renewal, and claims coordination for Maybank clients. MAA Assurance Philippines is currently among the top 20 non-life insurance companies in the country, and is a member of the MAA Holdings Berhad Group, which is based in Malaysia.

- Maybank and Telekom Malaysia Berhad (TM) signed an agreement for the implementation of Maybank2e.net cash management solutions for TM.

- Maybank Singapore participated as a Senior Lead Arranger in the USD500 million Syndicated Term Loan for Tata Steel arranged by Mandated Lead Arrangers – Calyon Corporate and Investment Bank, DBS Bank, HSBC, ING Bank and Standard Chartered Bank.

- Maybank's newly renovated Kovan Branch in Singapore was officially opened by Deputy President, Encik Agil Natt. The Branch, which lies along the transportation spine of the Northeast region of Singapore also marked its 40th year at the same premises.

### APRIL 2006

- Mayban Ventures, a member of the Maybank Group and Japan Asia Investment Company Limited (JAIC), Japan's largest independent venture capital company, announced the establishment of MAYBAN-JAIC Management Ltd to manage a USD50 million MAYBAN-JAIC ASEAN Fund. MAYBAN-JAIC Management Ltd is an offshore private equity fund management company incorporated in Labuan and will manage the MAYBAN-JAIC ASEAN Fund which is Maybank Group's first regional private equity fund. This ASEAN focused private equity fund is a closed-ended one with a 6+2 year tenure.

- Maybank@HDBHub was officially opened in Singapore. Maybank President and CEO, Datuk Amirsham A Aziz graced the occasion and took the opportunity to announce that all Maybank Branches in Singapore will be renamed "Maybank@" followed by their locations. 4

### MAY 2006

- The Maybank Group announced a pre-tax profit of RM2.81 billion for the nine months ended 31 March 2006, a 4.7% increase from the RM2.69 billion in the previous corresponding period. Group profit after tax for the nine months period increased to RM1.95 billion from RM1.94 billion previously.

- Mayban Securities Sdn Bhd hosted an investment conference entitled "Offshore Investment: Opportunities and Challenges," for its clients at Nexus Resort Karambunai in Sabah with the presence of more than 70 institutional equity fund managers.

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# NEW PRODUCTS AND SERVICES

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### JULY 2005

- Maybank introduced online direct debit service via Maybank2u.com which allows its customers to enjoy greater convenience for AirAsia flight bookings.

- Mayban Life Assurance Berhad introduced PremierLife Income, an exclusive insurance plan that gives guaranteed annual income after the age of 55. This would enable a retiree to continue enjoy his current lifestyle during his retirement.

### AUGUST 2005

- Maybank2u.com launched its online unit trust service to enable Maybank customers and investors of Mayban Unit Trust Berhad (MUTB) to undertake online purchase, enquiry and redemption of their unit trusts, anytime, anywhere.

- Maybank led the local banking industry again by introducing PremierPA Online via Maybank2u.com. Customers are able to purchase the personal accident plan anywhere and anytime, and enjoy immediate coverage upon successful submission of applications via the website.

- Maybank opened its first Islamic banking branch in Sarawak, offering a full range of the Group's Islamic banking products and services. The Al-Idrus Islamic branch in Kuching is also Maybank's 10th Islamic branch nationwide.

### SEPTEMBER 2005

- Maybank and Pizza Hut jointly launched the Pizza Hut and Maybankard Treats On-Chip Programme that enables customers to store Pizza Hut's special promotions and loyalty programme onto the smart EMV chip embedded on the Maybankard credit card. Maybank was the first bank selected by Pizza Hut to offer its pioneer electronic based loyalty programme. 1

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- Maybank introduced Premier Capital Income, an 8-year term endowment plan that provides guaranteed annual payouts.

- Maybank launched Maybank*invest*-i, a Syariah compliant share trading and margin financing facility that will facilitate share trading activities of Syariah-approved counters on the Malaysian Bourse. This is the first such facility offered by a bank in Malaysia.

## OCTOBER 2005

- Maybank launched *'Take Cash'*, the country's first cash withdrawal facility for the chip-based bankcard at retail outlets. The *'Take Cash'* service is a facility exclusively available to Maybank ATM cardholders to withdraw cash when paying for their purchases at merchant outlets. The pioneer merchant outlet providing this service was Sogo (KL) Department Store in Kuala Lumpur. 2

## NOVEMBER 2005

- Maybank introduced two new products YippieCare 2, a unique child endowment education plan and PremierCash Protection Plan, an adult endowment plan that offers 100% cash refund upon maturity.

- Maybank launched its first online insurance application facility, PremierPA online insurance application via Maybank2u.com, which provides instant coverage for successful online applications.

- A significant milestone was recorded in Singapore when Maybank became the first bank in the republic to introduce a Syariah-compliant online savings account (iSAVvy Savings account-i) as well as a Syariah-compliant checking and savings account (PremierOne Account-i).

## DECEMBER 2005

- Maybank launched its first 'wave' credit card, the Maybankard Visa Wave that allows card members to perform contactless payment for their purchases by simply 'waving' their card at the point of payment.

- Maybank, in collaboration with Maxis Communications Berhad ("Maxis"), was the first bank in Malaysia to offer prepaid services top-up payment options via three channels, namely Maybank2u.com, Kawanku ATMs and Mobile Financial Services.

- Mayban Life Assurance Berhad launched Premier Education Savers, a whole-life education investment linked plan that helps customers build a child's education fund through a strategic investment allocation that offers potentially higher returns.

## JANUARY 2006

- Maybank launched the Maybankard Touch 'n Go Zing, a companion card that is linked to either the Maybankard Visa or Mastercard credit card. It is a contactless smartcard, which has a microchip and antenna embedded in it and provides automatic reload convenience of the Touch 'n Go card.

- Mayban General Assurance Berhad and Mayban Takaful Berhad launched its five enhanced personal accident plans to cater to the needs of different customer segments. The PA plans offer customers conventional as well as takaful coverage with attractive features and benefits.

## FEBRUARY 2006

- Mayban Life Assurance Berhad introduced the Property Plus Capital Guaranteed investment plan. The six-year investment-linked plan combines insurance and investments in regional property stocks, including REITs. It also provided an income flow and at the same time guarantees the initial capital.

## MARCH 2006

- Mayban Takaful Berhad launched Takaful Capital Secured Series II, an innovative and ground breaking Syariah-compliant investment-linked plan. The 5-year plan helps customers gain better returns than fixed deposit, and at the same time minimise risk from the volatile equity markets.

## APRIL 2006

- Maybank Customer Care Centre (MCCC), the largest call centre set up by a financial institution in Malaysia was officially launched. Located at Bukit Jelutong, Shah Alam, the Centre occupies 50,600 sq feet and houses state-of-the-art systems to cater to the needs of Maybank Group's more than 7 million domestic customers. Maybank is the first financial institution in Malaysia to introduce a one call number 1-300-88-6688 for customers to contact the centre to access a wide range of retail banking services i.e. banking, finance, insurance, credit card and unit trust services. MCCC also acts as a telemarketing centre.

- Maybank launched the Takaful Capital Protection Plan II (TCP II), its second takaful investment-linked plan where part of its investment would be in equities from the Dow Jones Islamic Market World Index. TCP II is a five-year closed-end Syariah compliant investment plan that offers guaranteed protection on the principal capital investment as well as a number of value-added benefits.

- Maybank and Celcom jointly launched a new service, "Celcom Xpax Recharge via Maybank Mobile Financial Services" (MFS) which enables Celcom customers to recharge their Xpax airtime or network services conveniently using their mobile phones via MFS. 3

- Mayban General Assurance Berhad launched BizCare; a plan that protects businesses from damages caused by fire and other perils to give them the upper-hand in managing and focusing on other critical business needs.

- Mayban General Assurance Berhad and Mayban Takaful Berhad both launched conventional as well as takaful Auto Insurance schemes with attractive features and benefits to Maybank customers.

- Maybank, in collaboration with Visa International, Maxis Communications Berhad and Nokia, launched the world's first Mobile Visa Wave Payment Pilot in Malaysia. Two hundred participants who are both Maybankard Visa cardholders and Maxis mobile phone subscribers will participate in a four-month trial that will use their mobile phone to pay for their purchases at participating merchants.

## MAY 2006

- Mayban Life Assurance Berhad introduced the Far East Capital Guaranteed Fund (FECG), a unique 3-year closed end fund. FECG received overwhelming response from customers as it was fully subscribed 24 hours of launch. The plan provides an exclusive investment opportunity to two exciting North Asian equity markets, namely Tokyo's TOPIX and Hong Kong's Hang Seng indices.

- Maybank provided the convenience of purchasing a Lifestyle Security Plan to eligible Maybankard holders through its ATM machines. It was Malaysia's first ATM network to offer insurance facility through the widest network nationwide.

- Maybank launched the country's first e-commerce portal hosted by a financial institution at www.maybank2u.com. "Maybank2u.com Cyber Mall" is an electronic shopping mall accessible via Maybank2u.com, which provides customers a wide range of online shopping conveniences.

## JUNE 2006

- Maybank Platinum MasterCard was officially launched, joining the fleet of exclusive credit cards offered by Maybank to cater to the needs of customers who wish to increase their options of preferred privileges. 4

- Maybank partnered with Celcom to introduce M2U Mobile Services, the first ever comprehensive mobile banking service in the country. This service will enable common customers of Maybank and Celcom with GPRS/3G supported smart mobile phones to access the three most popular applications of Maybank2u, i.e. bill payment, balance enquiry and fund transfers, in a secured environment. 5

- Maybank Group launched Mayban Dividend Trust Fund, a Fund that will be invested in foreign markets, namely Asian equities.

- Maybank announced its strategic alliance with MoneyGram International Ltd, offering worldwide money transfer. This international remittance service is available at Maybank branches and Bureau de Change outlets that display the MoneyGram logo. 6

- Mayban Trustees Berhad launched a will writing service for Maybank customers via 30 Sales and Service Centres in Klang Valley as well as via Maybank2u.com. Will writing is part of the comprehensive estate and succession planning services offered to customers.

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# CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

## JULY 2005

- Maybank Singapore participated in the Singapore Armed Forces rededication ceremony to demonstrate the Bank's support for national defence.

- Maybank Singapore won the "Meritious Defence Partner Award" in recognition of the Bank's support and contributions to Singapore's national defence. Mr Spencer Lee, Country Head, Singapore received the award from Dr Ng Eng Hen, Singapore's Minister for Manpower and Second Minister for Defence.

- Maybank hosted a solo art exhibition entitled "i Exist" by Ungku Farrah. The exhibition was officiated by Toh Puan Mahani Idris.

## AUGUST 2005

- In conjunction with the 48th Merdeka celebration, Maybank contributed RM200,000 to the Armed Forced Welfare Fund. The contribution was part of Maybank's fulfillment of its on-going corporate social responsibilities, and was presented by Dato' Richard Ho, Vice Chairman of Maybank to Dato' Sri Mohd Najib bin Tun Haji Abdul Razak, Deputy Prime Minister of Malaysia at a special ceremony held in Kuala Lumpur.

- The Deputy Prime Minister also launched the "Tabung Perwira Maybank-NSTP", a joint collaboration by Maybank and the New Straits Times Press to raise funds from the public for the Armed Forces Welfare Fund. This was to show their appreciation and gratitude to the armed forces in conjunction with the 48th Merdeka celebration. A total of RM269,371.67 was raised through this effort.

- Maybank sponsored NST newspapers for 60 schools for a period of one year under the NST School Sponsorship Programme. This sponsorship was to support the Government's effort to promote greater proficiency in English as well as good reading habits among students.

## SEPTEMBER 2005

- In conjunction with the Board meeting held in Kota Bharu, Kelantan, Maybank donated RM50,000 to Yayasan Tabung Tenaga Berdikari Berdaftar, a charity body under the patronage of DYMM Raja Perempuan Kelantan. 1

## OCTOBER 2005

- Maybank Group added a glimmer of joy to underprivileged women at ERA Community Centres. Dato' Richard Ho, Vice Chairman of Maybank presented a contribution of RM20,000 to Mr N. Marimuthu, President of ERA Consumer Malaysia.

## DECEMBER 2005

- Maybank signed on as Title Sponsor of the country's premier golf tournament, the Malaysian Open from 2006 until 2010. The Open is one of the most prestigious golf tournaments in Asia. The Open which has European and Asian Tours sanction, carries world ranking points that attracts some of the biggest names in golf.

- Maybank presented sixty students pursuing their tertiary education in local public universities with scholarship worth RM660,000 under its annual Maybank Scholarship Award programme.

- Maybank was a major sponsor for the Perdana Leadership Foundation's Global Peace Forum 2005 held in Kuala Lumpur, which aimed to advocate peaceful means of resolving conflicts.

## APRIL 2006

- Maybank hosted an art exhibition entitled 'On War & Peace' at Balai Seni Maybank, featuring artworks by 16 enthusiastic artists from two renowned institutions, Universiti Teknologi MARA and Limkokwing University College of Creative Technology. The 40 artworks on display were created by the artists in conjunction with World Peace Day organised by Peace Malaysia in December 2005. 2

- Maybank Philippines Inc. (MPI) continued its efforts towards MaybanKalinga which is a much anticipated year-end program by Maybank employees who have always wanted an accessible avenue to share whatever "extras" they have for a good cause. Coined from the word "Maybank" and "Kalinga" (care or concern), the MaybanKalinga is MPI's way of continuing the tradition of Maybank Group's involvement in bringing cheer to the less fortunate and participating in social welfare/community outreach projects.

- Maybank Philippines contributed for the reforestation of the La Mesa Watershed by adopting 100 indigenous trees. The La Mesa Watershed is the last remaining forest in Metro Manila and the site of the reservoir that supplies water to millions of people in the metropolis. Bantay Kalikasan, the environmental arm of ABS-CBN Foundation, is currently in charge of the site's rehabilitation and protection. The contribution earned the Bank naming rights to the 100 trees that will be planted and cared for in Maybank's name by Bantay Kalikasan. 3

- Two Maybank employees teamed up with two intellectually disabled persons in the Special Olympics Unified Charity Bowl to help empower people with intellectual disabilities to become physically fit, productive and respected members of society through sports. 4

## JUNE 2006

- Maybank Philippines donated toys, school bags, baby's clothes, children's books, shoes and used clothing to a children's institution, Caritas Manila. The donations were received by Caritas Manila Executive Director Reverend Anton Pascual.

- Maybank Philippines made a donation in aid of rehabilitation programs being undertaken for the surviving families of the Guinsaugon landslide, as well as affected residents in nearby barangays within the St. Bernard municipality. The donation was in the form of cash conversion of unused sick leave credits pledged by Maybank officers and staff.

- Takaful Nasional sponsored 80 orphans from Darul Atiq for a fun and educational visit to the National Science Centre.

- Takaful Nasional sponsored RM20,000 cash as awards for 23 top students and two top schools in the Segambut area for the Majlis Anugerah Pelajar Cemerlang Yayasan Pendidikan Islam Segambut.

- Maybank, in collaboration with the Singapore After-Care Association (SACA) organised a one-day holiday programme for 94 ex-offenders and their families at Snow City. Twenty-one Maybank staff spent the day interacting with the families. The event was organised to encourage bonding between ex-offenders and their families through participation in a day of fun-filled activities. E

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PremierClub

## Manage your success

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Malayan Banking Berhad (3813-K)

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Maybank

*Who knows you better*

# ANALYSIS OF SHAREHOLDINGS AS AT 14 AUGUST 2006

Authorised Share Capital : 10,000,000,000
Paid-Up Share Capital : 3,797,565,421
Class of Shares : Ordinary Share of RM1 each
Voting Right : 1 vote per Ordinary Share

| Size of Shareholdings | No. of Shareholders | % of Shareholders | No. of Shares Held | % of Issued Capital |
|---|---|---|---|---|
| Less than 100 | 451 | 1.20 | 10,045 | 0.00 |
| 100 to 1,000 shares | 12,949 | 34.50 | 9,048,507 | 0.24 |
| 1,001 to 10,000 shares | 18,237 | 48.59 | 71,237,329 | 1.87 |
| 10,001 to 100,000 shares | 5,026 | 13.39 | 133,934,270 | 3.53 |
| 100,001 to less than 5% of issued shares | 865 | 2.31 | 1,360,419,209 | 35.82 |
| 5% and above of issued shares | 3 | 0.01 | 2,222,916,061 | 58.54 |
| TOTAL | **37,531** | **100.00** | **3,797,565,421** | **100.00** |

## SUBSTANTIAL SHAREHOLDERS
AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

| No. | Name of Shareholders | No. of Shares Held | % of Shares |
|---|---|---|---|
| 1. | Amanah Raya Nominees (Tempatan) Sdn Bhd (Skim Amanah Saham Bumiputera) | 1,386,358,575 | 36.51 |
| 2. | Permodalan Nasional Berhad | 517,924,287 | 13.64 |
| 3. | Employees Provident Fund Board | 318,633,199 | 8.39 |

## TOP THIRTY SHAREHOLDERS
AS PER THE REGISTER OF THE RECORD OF DEPOSITORS

| No. | Name of Shareholders | No. of Shares Held | % of Shares |
|---|---|---|---|
| 1. | Amanah Raya Nominees (Tempatan) Sdn Bhd (Skim Amanah Saham Bumiputera) | 1,386,358,575 | 36.51 |
| 2. | Permodalan Nasional Berhad | 517,924,287 | 13.64 |
| 3. | Employees Provident Fund Board | 318,633,199 | 8.39 |
| 4. | Lembaga Kemajuan Tanah Persekutuan (Felda) | 99,697,725 | 2.63 |
| 5. | Kumpulan Wang Amanah Pencen | 90,653,900 | 2.39 |
| 6. | Cimsec Nominees (Tempatan) Sdn Bhd (Security Trustee (KCW Issue 1)) | 86,331,800 | 2.27 |
| 7. | Valuecap Sdn Bhd | 58,974,800 | 1.55 |
| 8. | Cartaban Nominees (Asing) Sdn Bhd (SSBT Fund GB01 Harbor International Fund) | 54,100,000 | 1.42 |
| 9. | Amanah Raya Nominees (Tempatan) Sdn Bhd (Amanah Saham Malaysia) | 51,456,500 | 1.36 |
| 10. | CIMSEC Nominees (Tempatan) Sdn Bhd (Security Trustee (KCW Issue 2)) | 47,961,000 | 1.26 |
| 11. | Malaysia Nominees (Tempatan) Sdn Bhd (Great Eastern Life Assurance (Malaysia) Berhad (Par 1)) | 37,831,112 | 1.00 |
| 12. | Amanah Raya Nominees (Tempatan) Sdn Bhd (Sekim Amanah Wawasan 2020) | 34,059,800 | 0.90 |
| 13. | Amanah Raya Nominees (Tempatan) Sdn Bhd (Sekim Amanah Saham Nasional) | 32,654,500 | 0.86 |
| 14. | HSBC Nominees (Asing) Sdn Bhd (Exempt An for BNP Paribas Securities Services (Convert In USD)) | 27,739,400 | 0.73 |
| 15. | HSBC Nominees (Asing) Sdn Bhd (Exempt An for JPMorgan Chase Bank, National Association (U.S.A)) | 20,066,800 | 0.53 |
| 16. | HSBC Nominees (Asing) Sdn Bhd (Exempt An for JPMorgan Chase Bank, National Association (U.A.E)) | 17,991,060 | 0.47 |
| 17. | Cartaban Nominees (Asing) Sdn Bhd (Investors Bank and Trust Company for Ishares, Inc.) | 14,564,200 | 0.38 |
| 18. | Citigroup Nominees (Tempatan) Sdn Bhd (Exempt An for Prudential Assurance Malaysia Berhad) | 13,692,700 | 0.36 |
| 19. | Cartaban Nominees (Asing) Sdn Bhd (Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)) | 13,569,300 | 0.36 |
| 20. | HSBC Nominees (Tempatan) Sdn Bhd (Nomura Asset Mgmt Sg for Employees Provident Fund) | 13,326,700 | 0.35 |
| 21. | Citigroup Nominees (Asing) Sdn Bhd (Exempt An for American International Assurance Company Limited) | 12,898,344 | 0.34 |
| 22. | Pertubuhan Keselamatan Sosial | 12,527,450 | 0.33 |
| 23. | Cartaban Nominees (Asing) Sdn Bhd (Amanah SSCM Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board (JF404)) | 12,200,000 | 0.32 |
| 24. | HSBC Nominees (Asing) Sdn Bhd (Exempt An for JPMorgan Chase Bank, National Association (Saudi Arabia)) | 12,000,000 | 0.32 |
| 25. | Yong Siew Yoon | 11,374,998 | 0.30 |
| 26. | Citigroup Nominees (Tempatan) Sdn Bhd (ING Insurance Berhad (Inv-I1 Par)) | 10,797,100 | 0.28 |
| 27. | HDM Nominees (Asing) Sdn Bhd (Lim & Tan Securities Pte Ltd for Topview Holdings Limited) | 9,381,900 | 0.25 |
| 28. | Lembaga Tabung Angkatan Tentera | 8,135,000 | 0.21 |
| 29. | HLG Nominee (Asing) Sdn Bhd (Hong Leong Fund Management Sdn Bhd for Asia Fountain Investment Company Limited) | 7,347,000 | 0.19 |
| 30. | Cartaban Nominees (Asing) Sdn Bhd (Investors Bank and Trust Company for MSCI Equity Index Fund B Malaysia (Barclays G Inv)) | 7,138,614 | 0.19 |
| | TOTAL | **3,041,387,764** | **80.09** |

# CLASSIFICATION OF SHAREHOLDERS AS AT 14 AUGUST 2006

| Category | No. of Shareholders | | No. of Shareholdings | | % of Total Shareholdings | |
|---|---|---|---|---|---|---|
| | Malaysian | Foreign | Malaysian | Foreign | Malaysian | Foreign |
| INDIVIDUAL | | | | | | |
| a. Bumiputera | 3,424 | | 15,318,169 | | 0.41 | |
| b. Chinese | 22,462 | | 124,575,122 | | 3.28 | |
| c. Indian | 1,128 | | 4,808,675 | | 0.13 | |
| d. Others | 184 | 1,770 | 801,234 | 23,553,745 | 0.02 | 0.62 |
| BODY CORPORATE | | | | | | |
| a. Banks/Finance | 114 | 2 | 1,002,956,736 | 43,000 | 26.41 | |
| b. Investment/Trust | 7 | | 484,451 | | 0.01 | |
| c. Societies | 17 | | 1,220,675 | | 0.03 | |
| d. Industrial | 544 | 60 | 58,478,998 | 6,796,106 | 1.54 | 0.18 |
| GOVERNMENT AGENCIES/INSTITUTION | 14 | | 112,477,746 | | 2.96 | |
| NOMINEES | 3,256 | 4,549 | 1,882,821,060 | 563,229,704 | 49.58 | 14.83 |
| TOTAL | **31,150** | **6,381** | **3,203,942,866** | **593,622,555** | **84.37** | **15.63** |

CONTINUES ON PAGE 00

# CHANGES IN SHARE CAPITAL

## AUTHORISED SHARE CAPITAL

The present authorised share capital of the Bank is RM10,000,000,000 divided into 10,000,000,000 ordinary shares of RM1.00 each. Details of changes in its authorised share capital since its incorporation are as follows:-

| Date | Increase in Authorised Share Capital | Total Authorised Share Capital |
|---|---|---|
| 31-05-1960 | 20,000,000 | 20,000,000 |
| 06-09-1962 | 30,000,000 | 50,000,000 |
| 09-04-1977 | 150,000,000 | 200,000,000 |
| 17-01-1981 | 300,000,000 | 500,000,000 |
| 06-10-1990 | 500,000,000 | 1,000,000,000 |
| 09-10-1993 | 1,000,000,000 | 2,000,000,000 |
| 19-06-1998 | 2,000,000,000 | 4,000,000,000 |
| 11-08-2004 | 6,000,000,000 | 10,000,000,000 |

## ISSUED AND PAID-UP SHARE CAPITAL

Details of changes in the Bank's issued and paid-up share capital since its incorporation are as follows:-

| Date of Allotment | No. of Ordinary Shares Allotted | Par Value RM | Consideration | Resultant Total Issued and Paid-Up Capital RM'000 |
|---|---|---|---|---|
| 31-05-1960 | 1,500,000 | 5.00 | Cash | 7,500,000 |
| 18-05-1961 | 500,000 | 5.00 | Cash | 10,000,000 |
| 31-05-1962 | 1,000,000 | 5.00 | Rights Issue (1:2) at RM7.00 per share | 15,000,000 |
| 21-08-1968 | 1,500,000 | 5.00 | Rights Issue (1:2) at RM7.00 per share | 22,500,000 |
| 04-01-1971 | 22,500,000 | 1.00* | Rights Issue (1:1) at RM1.50 per share | 45,000,000 |
| 06-05-1977 | 15,000,000 | 1.00 | Capitalisation of Share Premium Account (Bonus Issue 1:3) | 60,000,000 |
| 23-06-1977 | 30,000,000 | 1.00 | Rights Issue (1:2) at RM3.00 per share | 90,000,000 |
| 21-02-1981 | 30,000,000 | 1.00 | Capitalisation of Share Premium Account (Bonus Issue 1:3) | 120,000,000 |
| 10-04-1981 | 60,000,000 | 1.00 | Rights Issue (1:2) at RM4.00 per share | 180,000,000 |
| 14-11-1984 | 45,000,000 | 1.00 | Capitalisation of Share Premium Account (Bonus Issue 1:4) | 225,000,000 |
| 28-12-1984 | 45,000,000 | 1.00 | Rights Issue (1:4) at RM6.00 per share | 270,000,000 |
| 31-11-1985 | 68,249 | 1.00 | Conversion of Unsecured Notes | 270,068,249 |
| 15-11-1986 | 9,199,999 | 1.00 | Issued in exchange for purchase of Kota Discount Berhad (Now known as Mayban Discount Berhad) | 279,268,248 |
| 01-12-1986 | 10,550 | 1.00 | Conversion of Unsecured Notes | 279,278,798 |
| 29-07-1987 to 20-10-1987 | 90,000 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 279,368,798 |
| 30-11-1987 | 11,916 | 1.00 | Conversion of Unsecured Notes | 279,380,714 |
| 08-06-1988 | 27,938,071 | 1.00 | Capitalisation of Share Premium Account (Bonus Issue 1:10) | 307,318,785 |
| 30-11-1988 | 10,725 | 1.00 | Conversion of Unsecured Notes | 307,329,510 |
| 16-03-1989 to 21-06-1989 | 9,198,206 | 1.00 | Exchange for Kwong Yik Bank Berhad ("KYBB") shares | 316,527,716 |
| 11-07-1989 to 23-11-1989 | 7,555,900 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 324,083,616 |
| 30-11-1989 | 46,174,316 | 1.00 | Conversion of Unsecured Notes | 370,257,932 |
| 01-12-1989 to 24-10-1990 | 4,508,900 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 374,766,832 |
| 16-11-1990 | 187,383,416 | 1.00 | Capitalisation of Share Premium (Bonus Issue 1:2) | 562,150,248 |
| 27-11-1990 | 11,550 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 562,161,798 |
| 30-11-1990 | 280,497 | 1.00 | Conversion of Unsecured Notes | 562,442,295 |
| 03-01-1991 | 3,300 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 562,445,595 |
| 03-01-1991 | 188,991,002 | 1.00 | Rights Issue (1:2) at RM5.00 per share | 751,436,597 |
| 04-01-1991 | 4,950 | 1.00 | Rights Issue (1:2) upon ESOS at RM5.00 per share | 751,441,547 |
| 25-01-1991 to 28-11-1991 | 726,000 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 752,167,547 |
| 30-11-1991 | 35,197 | 1.00 | Conversion of Unsecured Notes | 752,202,744 |
| 11-12-1991 to 20-05-1992 | 5,566,000 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 757,768,744 |
| 30-11-1992 to 30-11-1993 | 3,153,442 | 1.00 | Conversion of Unsecured Notes | 760,922,186 |
| 18-01-1994 | 380,461,093 | 1.00 | Capitalisation of Share Premium Account (Bonus Issue 1:2) | 1,141,383,279 |
| 29-12-1994 | 2,030,428 | 1.00 | Conversion of Unsecured Notes | 1,143,413,707 |
| 19-06-1998 | 1,143,413,707 | 1.00 | Capitalisation of Share Premium and Retained Profit Account (Bonus Issue 1:1) | 2,286,827,414 |
| 21-09-1998 to 09-10-2001 | 72,909,000 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 2,359,736,414 |
| 23-10-2001 | 1,179,868,307 | 1.00 | Capitalisation of Retained Profit Account (Bonus Issue 1:2) | 3,539,604,721 |
| 25-10-2001 to 05-08-2003 | 60,567,200 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 3,600,171,921 |
| 29-09-2004 to 14-08-2006 | 197,393,500 | 1.00 | Exercise of Employees' Share Option Scheme ("ESOS") | 3,797,565,421 |

* *The par value of the Bank's shares was changed from RM5.00 to RM1.00 on 25 November 1968.*

# FORM OF PROXY FOR THE 46TH ANNUAL GENERAL MEETING

| Number of shares held | CDS Account No. |
|---|---|
| | - - |

*Please refer to the notes below before completing this Form of Proxy.*

I/We *(full name in block letters)* _____ NRIC/Co. No. _____

of *(full address)* _____ Telephone No. _____

a shareholder/shareholders of MALAYAN BANKING BERHAD, hereby appoint *(full name in block letters)* _____

of *(full address)* _____

or failing him/her *(full name in block letters)* _____

of *(full address)* _____

or failing him/her, the Chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the 46th Annual General Meeting of Malayan Banking Berhad to be held at Mahkota Ballroom, Ballroom Level, Hotel Istana, 73, Jalan Raja Chulan, 50200 Kuala Lumpur, on Saturday, 30 September 2006 at 11.30 a.m. and at any adjournment thereof for the following ordinary resolutions as set out in the Notice of Annual General Meeting:-

| No. | Resolution | For | Against |
|---|---|---|---|
| 1 | Receipt of Audited Financial Statements and Reports | | |
| 2 | Declaration of Final Dividend | | |
| 3 | Re-election of Directors in accordance with Articles 96 and 97:<br>i. Datuk Amirsham A Aziz | | |
| 4 | ii. Dato' Mohammed Hussein | | |
| 5 | iii. Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor | | |
| 6 | Re-appointment of Directors pursuant to Section 129(6) of the Companies Act, 1965:<br>i. Dato' Richard Ho Ung Hun | | |
| 7 | ii. Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali | | |
| 8 | iii. Haji Mohd Hashir bin Haji Abdullah | | |
| 9 | iv. Teh Soon Poh | | |
| 10 | Payment of Directors' fees and increase in directors' meeting allowances for Board and Board Committees meetings | | |
| 11 | Re-appointment of Messrs. Ernst & Young as Auditors | | |
| 12 | Special Business:<br>Authorisation for Directors to issue shares pursuant to Section 132D of the Companies Act, 1965 | | |

My/Our proxy is to vote on the resolutions as indicated by an "X" in the appropriate space above. If no indication is given, my/our proxy shall vote or abstain as he/she thinks fit.

Dated this _____ day of _____ 2006

_____
Signature(s)/Common Seal of shareholder(s)

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy must be a member of the Company, an Advocate, an approved Company Auditor or a person approved by the Companies Commission of Malaysia. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, under its common seal or in some other manner approved by its directors.
2. The Form of Proxy must be deposited at the Company's registered office at 14th Floor, Menara Maybank, 100 Jalan Tun Perak, 50050 Kuala Lumpur not less than forty-eight (48) hours before the time set for the meeting and any adjournment thereof.
3. For a Form of Proxy executed outside Malaysia, the signature must be attested by a Solicitor, Notary Public, Consul or Magistrate.
4. For scripless shareholders, only members registered in the Record of Depositors on or before 12.30 p.m., on 27 September 2006 shall be eligible to attend the Annual General Meeting.

# PROPERTIES OWNED BY MAYBANK GROUP

| Area | No of Properties Freehold | Leasehold | Land Area (sq. m.) | Book Value as at 30.6.2006 (RM) |
|---|---|---|---|---|
| **MAYBANK** | | | | |
| Kuala Lumpur | 18 | 17 | 51,784.35 | 231,191,692.01 |
| Johor Darul Takzim | 34 | 10 | 20,147.05 | 57,485,495.71 |
| Kedah Darul Aman | 15 | 8 | 7,291.79 | 13,067,810.81 |
| Kelantan Darul Naim | 1 | 8 | 3,144.00 | 3,356,823.73 |
| Melaka | 2 | 6 | 3,798.56 | 7,561,305.05 |
| Negeri Sembilan Darul Khusus | 12 | 5 | 23,655.20 | 9,181,781.93 |
| Pahang Darul Makmur | 12 | 16 | 21,470.80 | 18,461,705.50 |
| Perak Darul Ridzuan | 23 | 8 | 12,436.25 | 17,811,212.43 |
| Perlis Indera Kayangan | 1 | 3 | 1,475.00 | 1,937,205.92 |
| Pulau Pinang | 27 | 4 | 15,009.26 | 29,852,196.69 |
| Sabah | – | 30 | 20,086.84 | 30,753,249.30 |
| Sarawak | 8 | 16 | 8,253.02 | 18,879,830.78 |
| Selangor Darul Ehsan | 30 | 16 | 105,208.25 | 123,571,167.61 |
| Terengganu Darul Iman | 8 | 2 | 4,955.00 | 5,421,335.47 |
| Hong Kong | – | 2 | 193.00 | HKD1,490,425.46 |
| London | – | 6 | 1,215.00 | GBP565,029.40 |
| Singapore | 12 | 11 | 26,549.00 | S$111,861,755.26 |
| **MAYBANK INTERNATIONAL (L) LTD** | | | | |
| W.P. Labuan | – | 5 | 1,089.81 | USD314,948.04 |
| **MAYBAN SECURITIES** | | | | |
| Negeri Sembilan Darul Khusus | 1 | – | 372.72 | 191,916.00 |
| Perak Darul Ridzuan | – | 1 | 260.00 | 260,609.61 |
| **MAYBAN LIFE ASSURANCE BERHAD** | | | | |
| Kuala Lumpur | – | 1 | 4,506.00 | 98,346,313.33 |
| Negeri Sembilan Darul Khusus | 1 | – | 148.64 | 150,000.00 |

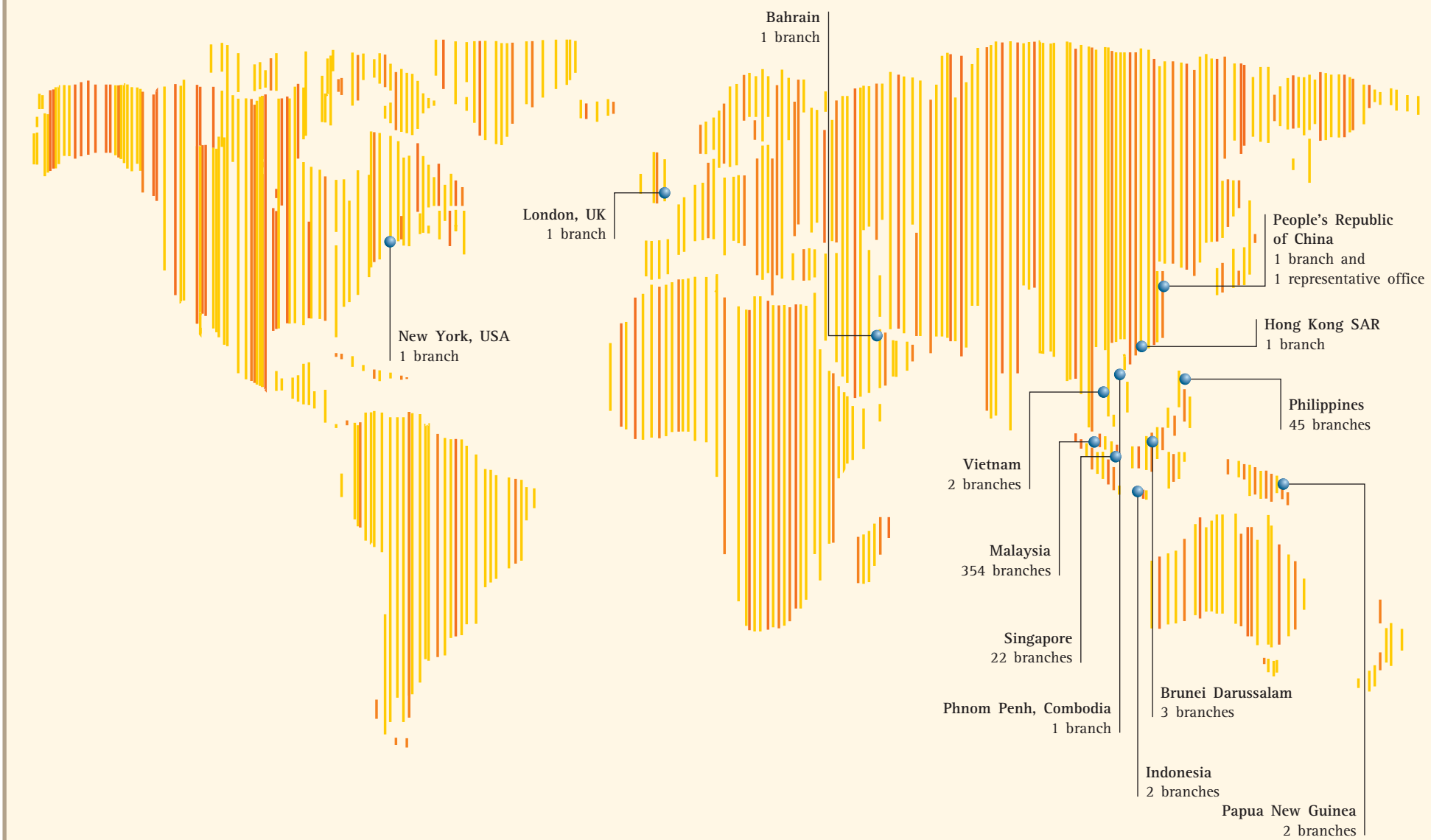
| Area | No of Properties Freehold | Leasehold | Land Area (sq. m.) | Book Value as at 30.6.2006 (RM) |
|---|---|---|---|---|
| **MAYBAN GENERAL ASSURANCE BERHAD** | | | | |
| Kuala Lumpur | – | 1 | 2,706.00 | 49,555,641.00 |
| Sabah | – | 1 | 186.00 | 812,651.00 |
| Pulau Pinang | 1 | – | 171.00 | 550,000.00 |
| Singapore | – | 1 | 638.00 | 1,144,264.00 |
| Selangor Darul Ehsan | – | 1 | 143.00 | 218,373.00 |
| Johor Darul Takzim | 1 | – | 125.41 | 460,000.00 |
| Kedah Darul Aman | 1 | – | 153.90 | 420,000.00 |
| **MAYBAN DISCOUNT BERHAD** | | | | |
| Pahang Darul Makmur | 1 | – | 102.91 | 174,943.54 |
| **MAYBAN PB HOLDINGS** | | | | |
| Kuala Lumpur | – | 2 | 1,205.32 | 2,910,863.36 |
| Johor Darul Takzim | 2 | 1 | 1,330.00 | 2,542,389.28 |
| Kedah Darul Aman | 1 | – | 370.00 | 808,824.40 |
| Pahang Darul Makmur | 1 | 2 | 595.42 | 1,192,225.58 |
| Perak Darul Ridzuan | 1 | 1 | 857.74 | 2,717,977.29 |
| Pulau Pinang | 1 | – | 445.93 | 920,230.39 |
| Sabah | – | 3 | 634.81 | 1,895,130.00 |
| Sarawak | – | 1 | 314.00 | 1,053,939.45 |
| Selangor Darul Ehsan | 2 | 2 | 1,594.77 | 3,799,167.46 |
| **ASEAMBANKERS MALAYSIA BERHAD** | | | | |
| Negeri Sembilan Darul Khusus | – | 2 | 219.25 | 333,000.00 |
| Pahang Darul Makmur | – | 1 | 126.20 | 199,000.00 |
| Pulau Pinang | 1 | – | 84.04 | 165,000.00 |

STAMP

**CORPORATE SERVICES**
MAYBANK
14th Floor, Menara Maybank,
100, Jalan Tun Perak,
50050 Kuala Lumpur,
Malaysia.

**MENU**

# MAYBANK GROUP GLOBAL NETWORK




# GROUP DIRECTORY AS AT 30 JUNE 2006

## COMMERCIAL BANKING

**Maybank**
14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

**P.T. Bank Maybank Indocorp**
17th Floor, Sona Topas Building
Jalan Jenderal Sudirman KAV 26
12920 Jakarta, Indonesia

**Maybank Philippines Incorporated**
Legaspi Towers 300
P. Ocampo Sr. St. Corner
Roxas Boulevard
Manila, Philippines

**Maybank (PNG) Ltd**
Corner Waigani Road/Islander Drive
P.O. Box 882 Waigani
National Capital District
Papua New Guinea

**Maybank International (L) Ltd**
Level 16 (B), Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 Wilayah Persekutuan Labuan

## INVESTMENT BANKING

**Aseambankers Malaysia Berhad**
33rd Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

**Mayban Ventures Sdn Bhd**
41st Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

**Mayban Venture Capital Company Sdn Bhd**
41st Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

**Mayban Discount Bhd**
31st Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

**Mayban-JAIC Capital Management Sdn Bhd**
41st Floor, Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur

**Mayban Unit Trust Berhad**
Level 12, MaybanLife Tower
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur

**Mayban Investment Management Sdn Bhd**
Level 13, MaybanLife Tower
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur

## INSURANCE

**Mayban Fortis Holdings Berhad**
Level 15, MaybanLife Tower
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur

**Mayban General Assurance Berhad**
Level 15, MaybanLife Tower
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur

**Mayban Life Assurance Bhd**
Level 15, MaybanLife Tower
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur

**Mayban Life International (Labuan) Ltd**
Level 11B, Block 4 Office Tower
Financial Park Complex
Jalan Merdeka
87000 Wilayah Persekutuan Labuan

**Mayban Takaful Bhd**
Level 15, MaybanLife Tower
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur

**Malaysia National Insurance Berhad**
Level 26, Tower 1
MNI Twins
No. 11, Jalan Pinang
50450 Kuala Lumpur

**Takaful Nasional Sdn Bhd**
Level 25, Bangunan Dato' Zainal
23, Jalan Melaka
50100 Kuala Lumpur

## STOCKBROKING

**Mayban Securities Sdn Bhd**
Level 8, MaybanLife Tower
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur

## TRUSTEE & NOMINEE SERVICES

**Mayban Trustees Bhd**
34th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

**Mayban Nominees (Tempatan) Sdn Bhd**
14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

**Mayban Nominees (Asing) Sdn Bhd**
14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

# OUR CONTINUED COMMITMENT TO THE DEVELOPMENT OF THE CAPITAL MARKET

RAM

## RAM LEAGUE AWARDS 2006

### RAM LEAD MANAGER AWARD - ISLAMIC 2005

1st. In Issue Value
3rd. In Number of Deals

### RAM LEAD MANAGER AWARD 2005

3rd. In Issue Value
3rd. In Number of Deals

Aseambankers

Aseambankers Malaysia Berhad (15938-H)

*Your Investment Banking Partner*

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# Maybank

ANNUAL REPORT **2006**

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## STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

THE DIRECTORS ARE REQUIRED BY THE COMPANIES ACT, 1965 AND THE BURSA MALAYSIA'S LISTING REQUIREMENTS TO PREPARE FINANCIAL STATEMENTS FOR EACH FINANCIAL YEAR WHICH GIVE A TRUE AND FAIR VIEW OF THE STATE OF AFFAIRS OF THE GROUP AND THE BANK AT THE END OF THE FINANCIAL YEAR AND OF THEIR RESULTS AND CASH FLOWS FOR THE FINANCIAL YEAR THEN ENDED.

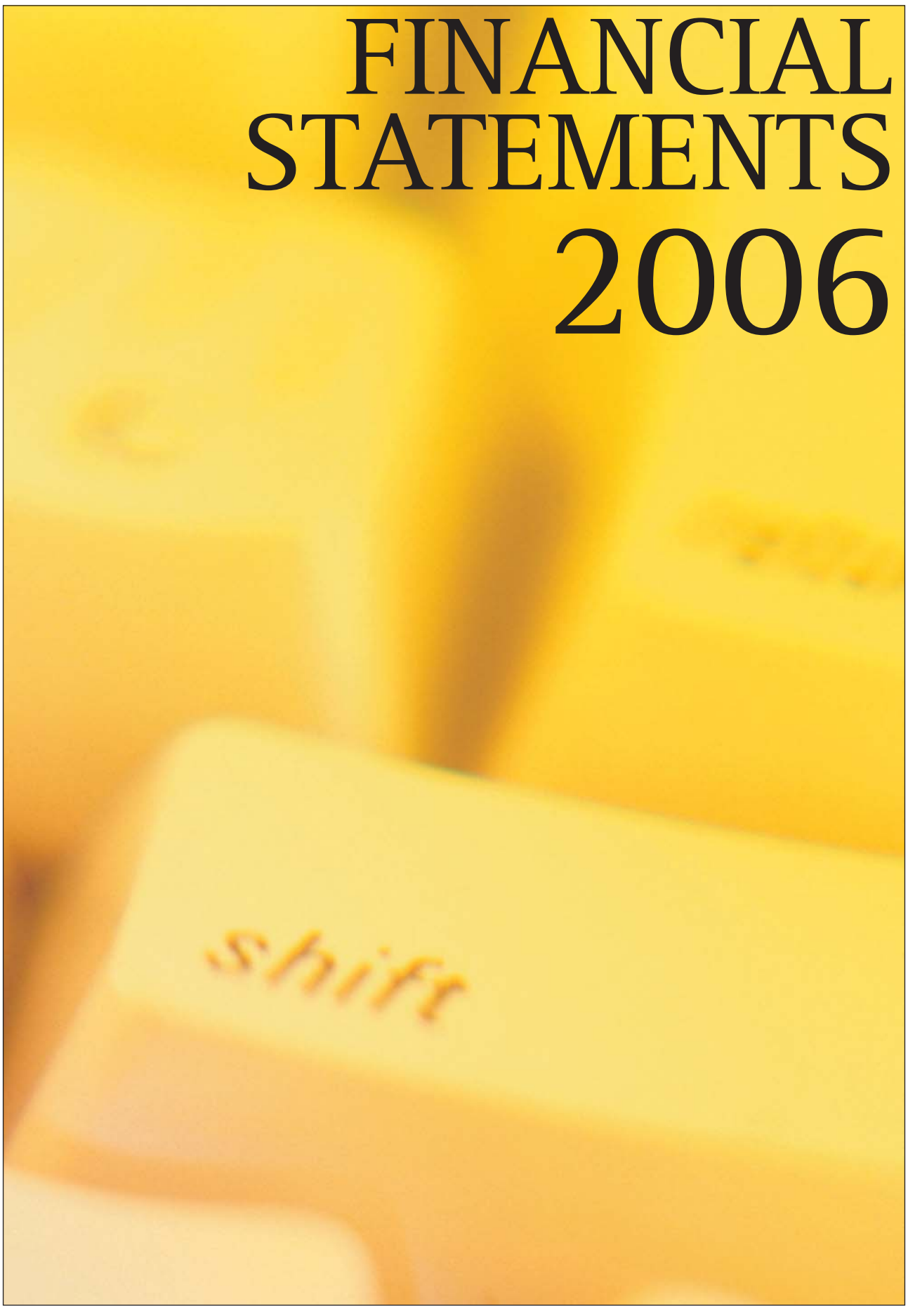
In preparing the financial statements, the directors have:

- considered the applicable approved accounting standards in Malaysia
- adopted and consistently applied appropriate accounting policies
- made judgements and estimates that are prudent and reasonable

The directors have the responsibility for ensuring that the Group and the Bank keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Bank which will enable them to ensure that the financial statements comply with the Companies Act, 1965 and the Bursa Malaysia's Listing Requirements.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Bank and to prevent and detect fraud and other irregularities.

# FINANCIAL STATEMENTS 2006




MENU

## DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 30 June 2006.

## PRINCIPAL ACTIVITIES

The Bank is principally engaged in the business of banking and finance in all its aspects which also include Islamic Banking Scheme operations.

The subsidiaries are principally engaged in the businesses of merchant banking, general and life insurance, general and family takaful, stock broking, discount house, leasing and factoring, trustee and nominee services, unit trust management, asset management and venture capital.

There were no significant changes in these activities during the financial year, except for certain subsidiaries as disclosed in Note 49(a) to the financial statements.

## RESULTS

| | Group RM'000 | Bank RM'000 |
|---|---|---|
| Profit after taxation and zakat | 2,865,764 | 2,520,198 |
| Minority interests | (62,166) | – |
| Net profit for the year | 2,803,598 | 2,520,198 |

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

## DIVIDENDS

The amount of dividends paid by the Bank since 30 June 2005 were as follows:

| | RM'000 |
|---|---|
| In respect of the financial year ended 30 June 2005 as reported in the directors' report of that year: | |
| Final dividend of 25% less 28% taxation and special dividend of 35% less 28% taxation, on 3,755,699,621 ordinary shares approved during the Annual General Meeting on 8 October 2005 and paid on 23 November 2005 (including net dividend amounting to RM14,967,760 paid on shares issued on the exercise of options under ESOS) | 1,622,462 |
| In respect of the financial year ended 30 June 2006: | |
| Interim dividend of 50% less 28% taxation, on 3,781,289,921 ordinary shares, declared on 17 November 2005 and paid on 16 January 2006 | 1,361,265 |

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 30 June 2006 of 35% less 28% taxation on 3,796,947,321 ordinary shares, amounting to a dividend payable of RM956,830,725 (25.2 sen net per ordinary share) will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the next financial year ending 30 June 2007.

## MAYBANK GROUP EMPLOYEE SHARE OPTION SCHEME (ESOS)

The Maybank Group Employee Share Option Scheme (ESOS) is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 11 August 2004. The ESOS was implemented on 26 August 2004 and is in force for a period of 5 years from the date of implementation.

The terms of the ESOS include provision for the participation of non-executive directors. The maximum number of ordinary shares of RM1 each in the Bank available under the ESOS should not exceed 15% of the total number of issued and paid-up capital of the Bank at any point of time during the duration of the scheme. Other principal features of the ESOS are disclosed in Note 21 to the financial statements.

The Bank has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been granted options to subscribe for less than 75,000 ordinary shares of RM1 each during the financial year. The option holders with the number of options granted in respect of the ESOS of 75,000 shares of RM1 each or above during the financial year are certain of the directors of the Bank whose names and the number of options granted are disclosed in the section on Directors' Interests in this report.

## SHARE CAPITAL

During the financial year, the Bank increased its issued and fully paid-up ordinary share capital from RM3,721,052,721 to RM3,796,947,321 via issuance of 75,894,600 new ordinary shares of RM1 each for cash, to eligible persons who exercised their options under the ESOS which commenced on 26 August 2004.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing shares of the Bank.

## DIRECTORS

The directors who served since the date of the last report are:

Tan Sri Mohamed Basir bin Ahmad (Chairman)
Dato' Richard Ho Ung Hun
Datuk Amirsham A Aziz
Dato' Mohammed Hussein
Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali
Mohammad bin Abdullah
Haji Mohd Hashir bin Haji Abdullah
Teh Soon Poh
Datuk Abdul Rahman bin Mohd Ramli
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor
Datuk Zainun Aishah binti Ahmad
Md Agil Mohd Natt (resigned on 30 June 2006)

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Bank or its subsidiary was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Bank or any other body corporate, other than as may arise from the share options granted pursuant to the ESOS.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors, or the fixed salary of a full time employee of the Bank as disclosed in Note 29 to the financial statements) by reason of a contract made by the Bank or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and share options of the Bank during the financial year were as follows:

| | Number of Ordinary Shares of RM1 Each | | | |
|---|---|---|---|---|
| | 1.7.2005 | Exercise of ESOS | Sold | 30.6.2006 |
| Tan Sri Mohamed Basir bin Ahmad | 18,000 | 210,000 | 200,000 | 28,000 |
| Dato' Richard Ho Ung Hun | 70,000 | 60,500 | 120,000 | 10,500 |
| Datuk Amirsham A Aziz | 381,000 | 100,000 | – | 481,000 |
| Dato' Mohammed Hussein | 123,400 | 200,000 | 50,000 | 273,400 |
| Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali | 43,000 | 212,000 | – | 255,000 |
| Mohammad bin Abdullah | – | 183,000 | 40,000 | 143,000 |
| Haji Mohd Hashir bin Haji Abdullah | 79,500 | 98,200 | 100,000 | 77,700 |
| Teh Soon Poh | 65,247 | 70,000 | 80,000 | 55,247 |
| Datuk Abdul Rahman bin Mohd Ramli | 20,000 | 103,000 | 109,800 | 13,200 |
| Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor | 10,000 | – | – | 10,000 |

| | Number of Options Over Ordinary Shares of RM1 Each | | | | |
|---|---|---|---|---|---|
| | Exercise Price RM | 1.7.2005 | Granted Under ESOS | Exercised | 30.6.2006 |
| Tan Sri Mohamed Basir bin Ahmad | 9.23 | 350,000 | – | 210,000 | 140,000 |
| | 9.92 | – | 75,000 | – | 75,000 |
| Dato' Richard Ho Ung Hun | 9.23 | 365,000 | – | 60,500 | 304,500 |
| | 9.92 | – | 67,500 | – | 67,500 |
| Datuk Amirsham A Aziz | 9.23 | 530,000 | – | 100,000 | 430,000 |
| | 9.87 | 120,000 | – | – | 120,000 |
| | 9.92 | – | 120,000 | – | 120,000 |
| Dato' Mohammed Hussein | 9.23 | 430,000 | – | 200,000 | 230,000 |
| | 9.87 | 80,000 | – | – | 80,000 |
| | 9.92 | – | 80,000 | – | 80,000 |
| Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali | 9.23 | 382,000 | – | 212,000 | 170,000 |
| | 9.92 | – | 62,500 | – | 62,500 |
| Mohammad bin Abdullah | 9.23 | 305,000 | – | 183,000 | 122,000 |
| | 9.92 | – | 62,500 | – | 62,500 |
| Haji Mohd Hashir bin Haji Abdullah | 9.23 | 185,500 | – | 79,500 | 106,000 |
| | 9.92 | – | 62,500 | 18,700 | 43,800 |
| Teh Soon Poh | 9.23 | 185,000 | – | 70,000 | 115,000 |
| | 9.92 | – | 62,500 | – | 62,500 |
| Datuk Abdul Rahman bin Mohd Ramli | 9.23 | 185,000 | – | 103,000 | 82,000 |
| | 9.92 | – | 62,500 | – | 62,500 |

Md Agil Mohd Natt, a former director of the Bank, was granted options for 80,000 ordinary shares of RM1 each under the ESOS at the exercise price of RM9.92 per share during the financial year prior to his resignation. As of the date of his resignation on 30 June 2006, a total of 136,000 option shares continue to be available for him to exercise up to the expiry date of the ESOS on 25 August 2009.

## RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

| Rating Agency | Date | Rating Classification | Rating Received |
|---|---|---|---|
| Moody's Investors Service | 23 May 2006 | – Long-term deposits | A3 |
| | | – Short-term deposits | P1 |
| | | – Subordinated long-term debts | Baa 1 |
| | | – Financial strength rating | C |
| | | – Outlook | Stable |
| Standard & Poor's | 24 May 2006 | – Long-term counterparty | A- |
| | | – Short-term counterparty | A-2 |
| | | – Subordinated notes | BBB+ |
| | | – Bank fundamental strength | B |
| | | – Outlook | Stable |
| Rating Agency Malaysia Berhad | 3 May 2006 | – Long-term | AAA |
| | | – Short-term | P1 |
| | | – Subordinated bonds | AA1 |
| | | – Outlook | Stable |
| Fitch Ratings | 2 June 2006 | – Individual | B/C |
| | | – Support | 2 |
| | | – Long-term | A- |
| | | – Subordinated notes | BBB+ |
| | | – Outlook | Stable |

## BUSINESS OUTLOOK

Financial services sector business will continue to be exciting as well as challenging. With rising cost of living, the challenge to the industry will be the preservation of asset quality. The excitement will come from the accelerating trend of the payment business, increasing demand for wealth management products, higher volume of cross-border trade and investment flows as well as the needs for innovative financing packages for the current medium term development plan. With its superior logistic capabilities and the state of readiness of its business infrastructure, the Group will certainly be able to benefit from this emerging trend.

## OTHER STATUTORY INFORMATION

(a) Before the balance sheets and income statements of the Group and of the Bank were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render:

(i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Bank inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Bank misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Bank.

(f) In the opinion of the directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Bank to meet their obligations as and when they fall due; and

(ii) no item or transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year in which this report is made.

## SIGNIFICANT EVENTS

The significant events during the financial year are as disclosed in Note 44 to the financial statements.

## AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors

**Mohamed Basir bin Ahmad** **Amirsham A Aziz**

Kuala Lumpur, Malaysia
24 August 2006

## STATEMENT BY DIRECTORS

### PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, MOHAMED BASIR BIN AHMAD and AMIRSHAM A AZIZ, being two of the directors of Malayan Banking Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages A4 to A43 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as at 30 June 2006 and of the results and the cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors

**Mohamed Basir bin Ahmad** **Amirsham A Aziz**

Kuala Lumpur, Malaysia
24 August 2006

## STATUTORY DECLARATION

### PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, MOHAMMED HUSSEIN, being the director primarily responsible for the financial management of Malayan Banking Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages A4 to A43 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Mohammed Hussein at Kuala Lumpur in the Federal Territory on 24 August 2006

**Mohammed Hussein**

Before me,

PESURUHJAYA SUMPAH MALAYSIA
No W 354
S. MASOHOOD OMAR
PKT, PJK, PJM
No 66 Jalan Tun Perak
50050 Kuala Lumpur

**S. Masohood Omar**
Commissioner for Oaths

## REPORT OF THE AUDITORS

### TO THE MEMBERS OF MALAYAN BANKING BERHAD (Incorporated in Malaysia)

We have audited the financial statements set out on pages A4 to A43. These financial statements are the responsibility of the Bank's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of:

(i) the financial position of the Group and of the Bank as at 30 June 2006 and of the results and the cash flows of the Group and of the Bank for the year then ended; and

(ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Bank and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 49(a) to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of the subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young

**Ernst & Young**
AF: 0039
Chartered Accountants

**Abdul Rauf bin Rashid**
No. 2305/05/08(J)
Partner

Kuala Lumpur, Malaysia
24 August 2006

## BALANCE SHEETS
AS AT 30 JUNE 2006

| | Note | Group 2006 RM'000 | Group 2005 RM'000 | Bank 2006 RM'000 | Bank 2005 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and short-term funds | 4 | 32,035,395 | 22,596,444 | 27,542,452 | 18,479,404 |
| Deposits and placements with banks and other financial institutions | 5 | 4,051,409 | 9,324,796 | 3,010,830 | 9,975,736 |
| Securities purchased under resale agreements | 6(i) | 1,503,957 | 299,857 | 1,503,957 | 296,871 |
| Securities portfolio | 7 | 33,721,822 | 28,261,016 | 26,889,747 | 22,128,177 |
| Loans, advances and financing | 8 | 131,453,654 | 119,593,814 | 127,848,395 | 115,481,632 |
| Other assets | 9 | 3,025,581 | 1,664,333 | 1,723,904 | 993,599 |
| Statutory deposits with Central Banks | 10 | 3,701,824 | 4,228,781 | 3,515,995 | 4,051,998 |
| Investment in subsidiaries | 11 | – | – | 2,713,793 | 1,915,978 |
| Investment in associates | 12 | 9,620 | 20,048 | 7,940 | 10,640 |
| Property, plant and equipment | 13 | 1,403,808 | 1,341,569 | 1,179,498 | 1,188,926 |
| Deferred tax assets | 19 | 1,177,568 | 963,946 | 1,120,495 | 911,752 |
| Life, general takaful and family takaful fund assets | 46 | 12,120,688 | 3,600,656 | – | – |
| **TOTAL ASSETS** | | 224,205,326 | 191,895,260 | 197,057,006 | 175,434,713 |
| **LIABILITIES** | | | | | |
| Deposits from customers | 14 | 136,217,976 | 131,068,045 | 125,137,436 | 118,275,713 |
| Deposits and placements of banks and other financial institutions | 15 | 28,707,575 | 18,361,182 | 28,037,862 | 19,874,194 |
| Obligations on securities sold under repurchase agreements | 6(ii) | 12,276,138 | 7,627,695 | 11,217,285 | 7,422,269 |
| Bills and acceptances payable | | 4,818,215 | 2,358,124 | 5,168,544 | 2,692,568 |
| Other liabilities | 16 | 3,865,111 | 3,130,142 | 3,563,137 | 3,140,403 |
| Recourse obligation on loans sold to Cagamas | 17 | 3,727,458 | 4,990,773 | 3,727,458 | 4,990,773 |
| Provision for taxation and zakat | 18 | 1,074,402 | 880,205 | 1,034,310 | 855,514 |
| Deferred tax liabilities | 19 | 26,582 | 20,685 | – | – |
| Subordinated obligations | 20 | 3,896,880 | 3,004,000 | 3,896,880 | 3,004,000 |
| Life, general takaful and family takaful fund liabilities | 46 | 684,536 | 120,506 | – | – |
| Life, general takaful and family takaful policy holders' funds | 46 | 11,436,152 | 3,480,150 | – | – |
| **TOTAL LIABILITIES** | | 206,731,025 | 175,041,507 | 181,782,912 | 160,255,434 |
| **FINANCED BY:** | | | | | |
| Share capital | 21 | 3,796,947 | 3,721,053 | 3,796,947 | 3,721,053 |
| Reserves | 22 | 12,968,879 | 12,680,256 | 11,477,147 | 11,458,226 |
| Shareholders' equity | | 16,765,826 | 16,401,309 | 15,274,094 | 15,179,279 |
| Minority interests | | 708,475 | 452,444 | – | – |
| | | 17,474,301 | 16,853,753 | 15,274,094 | 15,179,279 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | 224,205,326 | 191,895,260 | 197,057,006 | 175,434,713 |
| **COMMITMENTS AND CONTINGENCIES** | 35 | 130,383,443 | 109,451,821 | 128,296,116 | 107,615,751 |

The accompanying notes form an integral part of the financial statements.

## INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

| | Note | Group 2006 RM'000 | Group 2005 RM'000 | Bank 2006 RM'000 | Bank 2005 RM'000 |
|---|---|---|---|---|---|
| Operating revenue | 24 | 12,701,748 | 11,215,887 | 11,559,436 | 12,631,604 |
| Interest income | 25 | 8,771,298 | 7,564,457 | 8,120,284 | 6,675,881 |
| Interest expense | 26 | (4,246,347) | (3,304,723) | (3,848,681) | (2,868,263) |
| Net interest income | | 4,524,951 | 4,259,734 | 4,271,603 | 3,807,618 |
| Income from Islamic Banking Scheme operations | | | | | |
| Gross operating income | | 780,641 | 794,802 | 759,034 | 707,966 |
| Profit equalisation reserves | | 106,718 | (83,731) | 96,776 | (79,207) |
| | 45 | 887,359 | 711,071 | 855,810 | 628,759 |
| | | 5,412,310 | 4,970,805 | 5,127,413 | 4,436,377 |
| Dividends from subsidiaries | | – | – | 80,711 | 2,929,037 |
| Other operating income | | 2,719,272 | 2,159,149 | 2,098,644 | 1,673,106 |
| Total non-interest income | 27 | 2,719,272 | 2,159,149 | 2,179,355 | 4,602,143 |
| Net income | | 8,131,582 | 7,129,954 | 7,306,768 | 9,038,520 |
| Overhead expenses | 28 | (3,217,071) | (2,810,944) | (2,783,099) | (2,424,056) |
| Operating profit | | 4,914,511 | 4,319,010 | 4,523,669 | 6,614,464 |
| Allowance for losses on loans, advances and financing | 30 | (883,405) | (823,814) | (946,798) | (1,296,231) |
| | | 4,031,106 | 3,495,196 | 3,576,871 | 5,318,233 |
| Share of results of associates | | (499) | (704) | – | – |
| Profit before taxation and zakat | | 4,030,607 | 3,494,492 | 3,576,871 | 5,318,233 |
| Taxation and zakat | 32 | (1,164,843) | (950,247) | (1,056,673) | (1,508,590) |
| Profit after taxation and zakat | | 2,865,764 | 2,544,245 | 2,520,198 | 3,809,643 |
| Minority interests | | (62,166) | (41,719) | – | – |
| Net profit for the year | | 2,803,598 | 2,502,526 | 2,520,198 | 3,809,643 |

## INCOME STATEMENTS (CONT'D.)
FOR THE YEAR ENDED 30 JUNE 2006

| | Note | Group 2006 | Group 2005 | Bank 2006 | Bank 2005 |
|---|---|---|---|---|---|
| Earnings per share | | | | | |
| Basic (sen) | 33 | 74.4 | 68.4 | 66.9 | 104.1 |
| Diluted (sen) | 33 | 74.1 | 67.9 | 66.6 | 103.4 |
| Net dividends per ordinary share in respect of financial year (sen) | | | | | |
| Paid – Interim and special | 34 | 36.0 | 32.7 | 36.0 | 32.7 |
| Proposed – Final and special | 34 | 25.2 | 43.2 | 25.2 | 43.2 |

The accompanying notes form an integral part of the financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

| Group | <-- Non-distributable --> Share Capital RM'000 | Share Premium RM'000 | Statutory Reserves RM'000 | Capital Reserve RM'000 | Unrealised Holding Reserve RM'000 | Exchange Fluctuation Reserve RM'000 | <-- Distributable --> Retained Profits RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 July 2004 | 3,600,172 | 500,566 | 4,274,198 | 15,250 | – | 38,188 | 6,195,062 | 14,623,436 |
| Currency translation differences | – | – | – | – | – | 11,050 | – | 11,050 |
| Net accretion from increased interest in subsidiaries | – | – | – | – | – | – | 3,177 | 3,177 |
| Net gain not recognised in the income statement | – | – | – | – | – | 11,050 | 3,177 | 14,227 |
| Net profit for the year | – | – | – | – | – | – | 2,502,526 | 2,502,526 |
| Statutory reserve of the finance subsidiary no longer required upon transfer of business to the Bank, transferred to retained profits | – | – | (551,250) | – | – | – | 551,250 | – |
| Transfer to statutory reserves | – | – | 242,520 | – | – | – | (242,520) | – |
| Issue of ordinary shares pursuant to ESOS | 120,881 | 1,000,551 | – | – | – | – | – | 1,121,432 |
| Dividends (Note 34) | – | – | – | – | – | – | (1,860,312) | (1,860,312) |
| At 30 June 2005 | 3,721,053 | 1,501,117 | 3,965,468 | 15,250 | – | 49,238 | 7,149,183 | 16,401,309 |
| At 1 July 2005 (as previously stated) | 3,721,053 | 1,501,117 | 3,965,468 | 15,250 | – | 49,238 | 7,149,183 | 16,401,309 |
| Transitional adjustments (Note 47) | – | – | – | – | 347,170 | – | (143,148) | 204,022 |
| At 1 July 2005 (restated) | 3,721,053 | 1,501,117 | 3,965,468 | 15,250 | 347,170 | 49,238 | 7,006,035 | 16,605,331 |
| Currency translation differences | – | – | 455 | – | – | 8,898 | – | 9,353 |
| Reserve on acquisition | – | – | – | – | – | – | 16,634 | 16,634 |
| Net dilution from increased interest in subsidiaries | – | – | – | – | – | – | (23,298) | (23,298) |
| Unrealised net loss on revaluation of securities available-for-sale | – | – | – | – | (374,649) | – | – | (374,649) |
| Net (loss)/gain not recognised in the income statement | – | – | 455 | – | (374,649) | 8,898 | (6,664) | (371,960) |
| Net profit for the year | – | – | – | – | – | – | 2,803,598 | 2,803,598 |
| Transfer to statutory reserves | – | – | 7,994 | – | – | – | (7,994) | – |
| Issue of ordinary shares pursuant to ESOS | 75,894 | 636,690 | – | – | – | – | – | 712,584 |
| Dividends (Note 34) | – | – | – | – | – | – | (2,983,727) | (2,983,727) |
| At 30 June 2006 | 3,796,947 | 2,137,807 | 3,973,917 | 15,250 | (27,479) | 58,136 | 6,811,248 | 16,765,826 |

The accompanying notes form an integral part of the financial statements.

## STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

| Bank | <---------- Non-distributable ----------> | | | | | Distributable | |
|---|---|---|---|---|---|---|---|
| | Share Capital RM'000 | Share Premium RM'000 | Statutory Reserves RM'000 | Unrealised Holding Reserve/ (Deficit) RM'000 | Exchange Fluctuation Reserve RM'000 | Retained Profits RM'000 | Total RM'000 |
| At 1 July 2004 | 3,600,172 | 500,566 | 3,636,325 | – | 79,936 | 4,282,034 | 12,099,033 |
| Currency translation differences, representing net gain not recognised in the income statement | – | – | – | – | 9,483 | – | 9,483 |
| Net profit for the year | – | – | – | – | – | 3,809,643 | 3,809,643 |
| Transfer to statutory reserve | – | – | 234,713 | – | – | (234,713) | – |
| Issue of ordinary shares pursuant to ESOS | 120,881 | 1,000,551 | – | – | – | – | 1,121,432 |
| Dividends (Note 34) | – | – | – | – | – | (1,860,312) | (1,860,312) |
| At 30 June 2005 (as previously stated) | 3,721,053 | 1,501,117 | 3,871,038 | – | 89,419 | 5,996,652 | 15,179,279 |
| Transitional adjustments (Note 47) | – | – | – | 338,219 | – | (156,760) | 181,459 |
| At 30 June 2005 (restated) | 3,721,053 | 1,501,117 | 3,871,038 | 338,219 | 89,419 | 5,839,892 | 15,360,738 |
| Currency translation differences | – | – | 455 | – | 23,271 | – | 23,726 |
| Unrealised net loss on revaluation of securities available-for-sale | – | – | – | (359,425) | – | – | (359,425) |
| Net (loss)/gain not recognised in the income statement | – | – | 455 | (359,425) | 23,271 | – | (335,699) |
| Net profit for the year | – | – | – | – | – | 2,520,198 | 2,520,198 |
| Transfer to statutory reserve | – | – | – | – | – | – | – |
| Issue of ordinary shares pursuant to ESOS | 75,894 | 636,690 | – | – | – | – | 712,584 |
| Dividends (Note 34) | – | – | – | – | – | (2,983,727) | (2,983,727) |
| At 30 June 2006 | 3,796,947 | 2,137,807 | 3,871,493 | (21,206) | 112,690 | 5,376,363 | 15,274,094 |

The accompanying notes form an integral part of the financial statements.

## CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Profit before taxation | 4,030,607 | 3,494,492 | 3,576,871 | 5,318,233 |
| Adjustments for: | | | | |
| Share of results of associates | 499 | 704 | – | – |
| Depreciation | 181,722 | 184,674 | 158,668 | 161,113 |
| Net gain on disposal of property, plant and equipment | (21,211) | (10,831) | (20,031) | (8,569) |
| Gain on disposal of foreclosed properties | (15,931) | (475) | (14,905) | – |
| Loss on disposal of held-for-trading securities | 10,069 | – | 15,989 | – |
| Gain on disposal of available-for-sale securities | (245,161) | – | (177,457) | – |
| Gain on disposal of investment securities | – | (244,448) | – | (213,027) |
| (Gain)/loss on disposal of dealing securities | – | (36,189) | – | 175 |
| Loss/(gain) on disposal of associate | 5,901 | – | (4,320) | – |
| Amortisation of premiums less accretion of discounts of investment securities | 59,091 | 69,238 | 58,200 | 74,457 |
| Unrealised gains on revaluation of securities held-for-trading and derivatives | (284,896) | – | (298,107) | – |
| Writeback of provision for diminution in value of investment securities, net | – | (56,100) | – | (76,851) |
| Impairment/(write back) of losses on securities | 10,315 | – | (16,348) | – |
| Loan and financing loss and provisions | 1,164,125 | 1,137,989 | 1,222,399 | 1,616,260 |
| Provision/(write back) for other debts | 4,103 | 47,834 | – | (3,365) |
| Interest/income clawed back/suspended | 62,329 | 378,364 | 62,183 | 338,699 |
| Dividend income | (24,581) | (18,462) | (92,179) | (2,942,600) |
| Property, plant and equipment written off | 1,793 | 1,811 | 1,407 | 1,729 |
| (Write back)/provision for commitments and contingencies | (7,208) | 6,217 | – | – |
| Profit equalisation reserves | (106,718) | 83,731 | (96,776) | 79,207 |
| Transfer of life, general takaful and family takaful fund surplus | (28,287) | (23,029) | – | – |

## CASH FLOW STATEMENTS (CONT'D.)
FOR THE YEAR ENDED 30 JUNE 2006

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Operating profit before working capital changes | 4,796,561 | 5,015,520 | 4,375,594 | 4,345,461 |
| Change in securities purchased under resale agreements | (1,204,100) | 433,774 | (1,207,086) | 426,021 |
| Change in deposits and placements with banks and other financial institutions | 5,315,832 | (2,638,006) | 6,964,906 | (3,846,248) |
| Change in securities held-for-trading | 141,343 | – | 35,759 | – |
| Change in dealing securities | – | (293,364) | – | (66,985) |
| Change in loans, advances and financing | (12,807,757) | (11,815,817) | (13,651,345) | (30,718,179) |
| Change in other assets | (1,634,841) | 142,351 | (876,198) | (162,254) |
| Change in statutory deposits with Central Banks | 526,957 | (584,582) | 536,003 | (1,196,364) |
| Change in deposits from customers | 5,149,931 | 7,702,103 | 6,861,723 | 21,406,836 |
| Change in deposits and placements of banks and other financial institutions | 10,346,393 | 3,862,976 | 8,163,668 | 5,696,857 |
| Change in obligations on securities sold under repurchase agreements | 4,648,443 | 639,664 | 3,795,016 | 1,083,582 |
| Change in bills and acceptances payable | 2,460,091 | (961,305) | 2,475,976 | (3,053,579) |
| Purchase of available-for-sale and held-to-maturity securities | (3,750,650) | – | (4,396,597) | – |
| Net proceeds from disposal of investment securities | – | 1,303,966 | – | 1,018,001 |
| Change in other liabilities | 642,332 | (133,202) | 519,510 | 887,366 |
| Change in life, general takaful and family takaful fund assets | (1,601,470) | (980,196) | – | – |
| Change in life, general takaful and family takaful fund liabilities and policy holders' funds | 1,473,732 | 1,003,225 | – | – |
| Exchange fluctuation | (42,873) | 3,651 | (44,007) | 2,260 |
| Cash generated from operations | 14,459,924 | 2,700,758 | 13,552,922 | (4,177,225) |
| Taxes and zakat paid | (1,313,123) | (693,744) | (1,086,342) | (1,365,466) |
| Net cash generated from/(used in) operating activities | 13,146,801 | 2,007,014 | 12,466,580 | (5,542,691) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Purchase of property, plant and equipment | (178,885) | (168,879) | (160,486) | (165,230) |
| Purchase of preference shares and additional ordinary shares in existing subsidiaries | (483,923) | – | (797,815) | (46,749) |
| Acquisition of MNI Holdings Berhad (Note 11(a)(i)) | (802,370) | – | – | – |
| Proceeds from disposal of associate | 7,020 | (2,100) | 7,020 | (900) |
| Net cash from transfer of finance subsidiary to the Bank | – | – | – | 202,413 |
| Proceeds from disposal of property, plant and equipment | 45,994 | 29,113 | 37,632 | 12,221 |
| Dividends received | 24,581 | 18,462 | 92,179 | 2,942,600 |
| Net cash (used in)/generated from investing activities | (1,387,583) | (123,404) | (821,470) | 2,944,355 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Proceeds from issuance of shares | 712,584 | 1,121,432 | 712,584 | 1,121,432 |
| Proceeds from issuance of subordinated obligations | 2,500,000 | – | 2,500,000 | – |
| Redemption of subordinated obligations | (1,560,000) | – | (1,560,000) | – |
| Loans sold to Cagamas, net | (1,263,315) | (1,541,273) | (1,263,315) | 2,279,655 |
| Dividends paid | (2,983,727) | (1,860,312) | (2,983,727) | (1,860,312) |
| Dividends paid to minority interests | (37,726) | (25,443) | – | – |
| Issuance of preference and ordinary shares by a subsidiary to minority interest | 297,724 | – | – | – |
| Net cash (used in)/generated from financing activities | (2,334,460) | (2,305,596) | (2,594,458) | 1,540,775 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | 9,424,758 | (421,986) | 9,050,652 | (1,057,561) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 22,610,637 | 23,018,430 | 18,491,800 | 19,536,965 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 32,035,395 | 22,596,444 | 27,542,452 | 18,479,404 |
| Cash and cash equivalents comprise: | | | | |
| Cash and short term funds as previously reported | 32,035,395 | 22,596,444 | 27,542,452 | 18,479,404 |
| Effects of exchange rate changes | – | 14,193 | – | 12,396 |
| | 32,035,395 | 22,610,637 | 27,542,452 | 18,491,800 |

The accompanying notes form an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS
– 30 JUNE 2006

### 1. CORPORATE INFORMATION

The Bank is principally engaged in the business of banking and finance in all its aspects which also include Islamic Banking Scheme operations.

The subsidiaries are principally engaged in the businesses of merchant banking, general and life insurance, general and family takaful, stock broking, discount house, leasing and factoring, trustee and nominee services, unit trust management, asset management and venture capital.

There were no significant changes in these activities during the financial year, except for certain subsidiaries as disclosed in Note 49(a).

The Bank is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Bank is located at 14th Floor, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur.

The number of employees in the Group and in the Bank at the end of the financial year were 23,147 (2005: 21,793) and 22,500 (2005: 19,773) respectively.

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 August 2006.

### 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Bank have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines. The financial statements incorporate those activities relating to Islamic Banking Scheme ("IBS") which have been undertaken by the Group and the Bank.

IBS refers generally to the acceptance of deposits and granting of financing under the principles of Shariah.

### 3. SIGNIFICANT ACCOUNTING POLICIES

**(i) Basis of Accounting**

The financial statements of the Group and of the Bank have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below.

**(ii) Changes in Accounting Policies**

The accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the previous years except for the adoption of:

- The revised guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8") issued by Bank Negara Malaysia on 5 October 2004, which became effective for the current financial year; and
- Financial Reporting Standard 3 Business Combination ("FRS 3") which is applicable for agreements dated on or after 1 January 2006.

The adoption of the revised BNM/GP8 has resulted in significant changes in the accounting policies of the Group and the Bank pertaining to the treatment of financial instruments. The adoption of FRS 3 does not have any significant financial impact on the Group.

With effect from 1 July 2005, the Group and the Bank adopted the revised BNM/GP8, which resulted in the following new accounting policies, all of which have been adopted prospectively:

(a) The recognition and measurement of the investment and dealing securities portfolio of the Group and the Bank as securities held for trading, securities held-to-maturity and securities available-for-sale.

(b) The recognition and measurement of derivative financial instruments and the adoption of hedge accounting.

(c) Where a loan, advance or financing account becomes non-performing, interest accrued and recognised as income prior to the date the loan is classified as non-performing is reversed out of income and set off against the accrued interest receivable account in the balance sheet. Thereafter, interest in the non-performing loan shall be recognised as income on a cash basis instead of being accrued and suspended at the same time as practised previously.

The revised BNM/GP8 requires the prior year comparative figures to be restated to reflect the changes in accounting policies arising from the adoption of the revised BNM/GP8. However, the Group and the Bank have not restated the comparative figures due to the following:

- It was considered not meaningful since the classification of securities in line with BNM/GP8 only commenced towards the end of the previous financial year. Accordingly, restatement of the securities would entail an arbitrary allocation of prior year's dealing and investment securities into current year's classification; and
- The non-restatement of comparative figures is in line with the transitional provisions of Financial Reporting Standard 139 Financial Instruments: Recognition and Measurement ("FRS 139"). Although FRS 139 is not yet effective, it disallows retrospective application and requires non-reversal of accounting policies followed in the prior year.

In light of the above, the comparative figures of the Group and the Bank are not restated and any adjustments for the previous carrying amounts shall be recognised as an adjustment of the balance of retained earnings or reserves at the beginning of the current financial year. The details of adjustments made to the opening retained earnings, reserves and results for the current year are disclosed in Note 47 to the financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

**(ii) Changes in Accounting Policies (Cont'd.)**

Bank Negara Malaysia has granted indulgence to the Bank from complying with the requirement on the impairment of loans and financing under the revised BNM/GP8 for the financial year ended 30 June 2006. Therefore, the allowance for bad and doubtful debts and financing of the Group and the Bank have been computed based on the existing requirement of BNM/GP3, which remains consistent with the basis adopted in previous years.

The revised BNM/GP8 has also resulted in certain new disclosures (as disclosed in Notes 6(i), 8(i), 8(ii) and 8(vi)) and certain changes to the previous year's disclosures (as disclosed in Note 48) in the financial statements.

**(iii) Basis of Consolidation**

*(a) Subsidiaries*

The consolidated financial statements include the financial statements of the Bank and all its subsidiaries. Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition (goodwill/reserve on consolidation/acquisition) is accounted for in accordance with Note 3(iv) below. Under FRS 3, for business combination agreements dated on or after 1 January 2006, any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition, after reassessment, is recognised immediately in the income statement.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets together with any balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

Minority interest in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

*(b) Associates*

Associates are those entities in which the Group exercises significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated using the same basis unless the cost cannot be recovered.

**(iv) Goodwill/Reserve Arising on Consolidation/Acquisition**

Goodwill or reserve arising on consolidation/acquisition represents the differences between the cost of acquisition and the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary and associates at the date of acquisition. Goodwill or reserve arising on consolidation/acquisition is written off/credited in full to retained profits immediately.

Under FRS 3, for business combination agreements dated on or after 1 January 2006, goodwill arising on consolidation/acquisition is carried at cost less accumulated impairment losses and is tested for impairment at least annually. As stated in Note 3(iii)(a) above, any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition (previously referred to as reserve arising on consolidation/acquisition), after reassessment, is recognised immediately in the income statement at the time of acquisition.

**(v) Investment in Subsidiaries and Associates**

The Bank's investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(xxx) below.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is charged or credited to the income statement.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

**(vi) Securities Portfolio**

The adoption of the revised BNM/GP8 as stated in Note 3(ii)(a) has resulted in a change of accounting policy for securities portfolio. With effect from 1 July 2005, the holdings of the securities portfolio of the Group and the Bank are recognised based on the following categories and valuation methods:

*(a) Securities held-for-trading*

Securities are classified as held-for-trading if they are acquired principally for the purpose of benefiting from actual or expected short-term price movement or to lock in arbitrage profits. The securities held-for-trading will be stated at fair value and any gain or loss arising from a change in their values and derecognition of these securities are recognised in the income statements.

*(b) Securities held-to-maturity*

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Group and Bank have the positive intent and ability to hold to maturity. Unquoted shares in organisations set up for socio-economic purposes and equity instruments received as a result of loan restructuring or loan conversion which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are also classified as securities held-to-maturity.

Securities held-to-maturity are measured at accreted/amortised cost based on the effective yield method. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from derecognition of securities held-to-maturity are recognised in the income statement.

*(c) Securities available-for-sale*

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value, or at cost (less impairment losses) if the fair value cannot be reliably measured. The return and cost of the securities available-for-sale are credited and charged to the income statement using accreted/amortised cost based on the effective yield method. Any gain or loss arising from a change in fair value after applying the accreted/amortised cost method are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement.

Prior to the adoption of the new accounting policies described in Note 3(ii)(a), investments in securities are classified into dealing and investment securities. The accounting policies for dealing and investments securities were as follows:

*(d) Dealing Securities*

Dealing securities are marketable securities that are acquired and held with the intention of resale in the short term and are stated at the lower of cost and market value on portfolio basis. Increases or decreases in the carrying amount of dealing securities are credited or charged to the income statement. On disposal of the dealing securities, the differences between the net disposal proceeds and their carrying amounts are charged or credited to the income statement.

Transfers, if any, between dealing and investment securities are made at the lower of cost and market value.

*(e) Investment Securities*

Investment securities are securities that are acquired and held for yield or capital growth and are usually held to maturity.

Malaysian Government Securities, Malaysian Government investment issues, Malaysian Government floating rate notes, Cagamas bonds and other Government securities are stated at cost adjusted for amortisation of premiums or accretion of discounts, where applicable, to maturity dates.

Quoted investments are stated at the lower of cost and market value on portfolio basis.

Unquoted investments are stated at cost and where applicable, adjusted for amortisation of premiums or accretion of discounts to maturity dates. Provision is made for diminution in value which is other than temporary.

On disposal of the investment securities, the differences between the net disposal proceeds and their carrying amounts are charged or credited to the income statement.

**(vii) Allowance for Doubtful Debts**

Specific allowances are made for doubtful debts which have been individually reviewed and specifically identified as bad and doubtful. Additional allowances are made for long outstanding non-performing loans over five years.

In addition, a general allowance based on a certain percentage of total risk-weighted assets for credit risk, which takes into account all balance sheet items and their perceived credit risk levels, is maintained.

**(viii) Property, Plant and Equipment and Depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(xxx).

Freehold land and buildings-in-progress are not depreciated. Leasehold land is depreciated over the period of the respective leases which ranges from 30 to 999 years. The remaining period of respective leases ranges from 10 to 940 years.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset over its estimated useful life at the following annual rates:

| | |
|---|---|
| Buildings on freehold land | Over 50 years |
| Buildings on leasehold land | 50 years or remaining life of the lease, whichever is shorter |
| Office furniture, fittings, equipment and renovations | 10% – 25% |
| Computers and peripherals | 14% – 25% |
| Electrical and security equipment | 8% – 25% |
| Motor vehicles | 20% – 25% |

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

**(ix) Investment Properties**

Investment properties consist of investments in land and buildings that are not substantially occupied for use by, or in the operations of the Group. In line with MASB FRS 203 Life Insurance Business (formerly known as MASB Standard 18), land and buildings owned by the life insurance business are classified as investment properties, notwithstanding that they are substantially occupied for use by, or in the operations of the Group.

Investment properties are treated as long term investments and are stated at cost and include related and incidental expenditure incurred. Investment properties are not depreciated. The carrying amount of investment properties is reduced to recognise impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(xxx).

**(x) Other Assets**

Other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

**(xi) Repurchase Agreements**

Securities purchased under resale agreements are securities which the Group and the Bank had purchased with a commitment to resell at future dates. The commitments to resell the securities are reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and corresponding obligations to purchase the securities are reflected as a liability on the balance sheet.

**(xii) Bills and Acceptances Payable**

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

**(xiii) Provisions for Liabilities**

Provisions for liabilities are recognised when the Group and the Bank have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

**(xiv) Liabilities**

Deposits from customers, deposits and placements of banks and financial institutions are stated at placement values. Other liabilities are stated at cost which is the fair value of the consideration expected to be paid in the future for goods and services received.

**(xv) Profit Equalisation Reserves ("PER") on IBS Operations**

PER is the amount provided in order to maintain a certain level of return for deposits in conformity with Bank Negara Malaysia's "The Framework of the Rate of Return". The PER is deducted at a rate which does not exceed the maximum amount of the total of 15% of monthly gross income, monthly net trading income, other income and irregular income. PER is maintained up to the maximum of 30% of total Islamic banking capital fund.

**(xvi) Income Tax**

Income tax on the profit or loss for the year comprises current and deferred taxes. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

**(xvii) Leases**

*(a) Finance Lease/Lease Receivable*

Assets leased to customers under agreements which transfer substantially all risks and rewards associated with ownership other than legal title are classified as lease receivables. The balance sheet amount represents total minimum lease payments receivable less unearned income and prepaid rentals. Initial direct costs are immediately recognised as expenses.

*(b) Operating Lease*

Payments made under operating leases are recognised in the income statement on an accrual basis in accordance with the terms of the leases.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

**(xviii) Life Fund**

The Life fund consists of long-term liabilities to policyholders, determined by an annual actuarial valuation, as well as accumulated surplus. The distributable surplus is transferable from the Life fund to the income statement based on the surplus determined by the actuarial valuation.

**(xix) Takaful Funds**

The Group's Takaful funds are operated under the Mudharabah and Wakalah models and are maintained in accordance with the requirements of the Takaful Act, 1984 and comply with the principles of Shariah.

*(i) Family Takaful Fund*

The Family Takaful fund consists of the amounts attributable to participants as determined by the annual actuarial valuation and accumulated surplus attributable to participants. Surplus distributable to participants is distributed in accordance with the terms and conditions prescribed by the Shariah Committee of the respective Takaful operators.

*(ii) General Takaful Fund*

The General Takaful fund consists of unearned contribution reserves and accumulated surplus attributable to participants. Surplus distributable to participants is distributed in accordance with the terms and conditions prescribed by the Shariah Committee of the respective Takaful operators.

**(xx) Unearned Premium Reserves and Unearned Contribution Reserves**

Unearned Premium Reserves ("UPR") and Unearned Contribution Reserves ("UCR") represent the portion of the net premiums and contribution of insurance policies and takaful certificates written that relate to the unexpired periods of policies and certificates at the end of the financial year. In determining the UPR and UCR at the balance sheet date, the method that most accurately reflect the actual unearned premium is used as follows:

- 25% method for marine cargo and aviation cargo, and transit business.
- 1/24th method for other classes of Malaysian general policies and 1/365th method for all classes of general takaful within Malaysia, reduced by the corresponding percentage of accounted gross direct business commissions and agency-related expenses not exceeding limits specified by Bank Negara Malaysia on:

| | |
|---|---|
| Motor | 10% |
| Fire, engineering, aviation and marine hull | 15% |
| Medical health | |
| – Standalone individuals | 15% |
| – Group of 3 or more | 10% |
| Workmen compensation and employers' liability | |
| – Foreign workers | 10% |
| – Others | 25% |
| Other classes | 20% |

- 1/8th method for all classes of overseas inward treaty business with a deduction of 20% for commissions.
- Bond policies and non-annual certificates are time-apportioned over the periods of the risks.

**(xxi) Provision for Outstanding Claims**

For general insurance and general takaful businesses, a liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the balance sheet date. Provision is also made for the cost of claims together with related expenses incurred but not reported ("IBNR") at balance sheet date based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation using actual claims development pattern.

For life assurance and family takaful businesses, claims and settlement costs that are incurred during the financial period are recognised when a claimable event occurs and/or the insurer is notified.

Claims and provisions for claims arising on life insurance and family takaful policies, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

(i) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates;

(ii) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of the contingency covered.

**(xxii) Borrowings**

Borrowings are reported at their face values. The costs of issuing capital instruments such as bonds and debentures are charged to the income statement as and when incurred. Interest on borrowings is charged to the income statement as expense as and when incurred.

**(xxiii) Interest and Financing Income Recognition**

Interest income is recognised on an accrual basis. Interest income includes the amortisation of premiums or accretion of discounts. Interest income on securities are recognised on an effective yield basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

**(xxiii) Interest and Financing Income Recognition (Cont'd.)**

Interest income on overdrafts, term loans and housing loans is accounted for on a straight line basis by reference to the rest periods as stipulated in the loan agreements. Interest income from hire purchase, instalment sale financing, block discounting and leasing transactions is accounted for on the "sum-of-the-digits" method, whereby the income recognised for each month is obtained by multiplying the total income by a fraction whose numerator is the digit representing the remaining number of months and whose denominator is the sum of the digits representing the total number of months.

Where an account has turned non-performing, interest accrued previously but has not been received is reversed out of income, and set-off against the accrued interest receivable in the balance sheet with retroactive adjustment made to the date of first default. Thereafter, interest on these accounts are recognised on a cash basis until such time as the accounts are no longer classified as non-performing. Customers' accounts are deemed to be non-performing where repayments are in arrears for more than three months and one month after maturity date for trade bills, bankers' acceptances and trust receipts. Credit card holders are deemed non-performing where repayments are in arrears for more than three months from first day of default.

Income from the IBS business is recognised on the accrual basis in compliance with Bank Negara Malaysia Guidelines.

**(xxiv) Fee and Other Income Recognition**

Loan arrangement, management and participation fees, factoring commissions, underwriting commissions and brokerage fees are recognised as income based on contractual arrangements. Guarantee fee is recognised as income upon issuance of the guarantee. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.

Dividend income is recognised when the shareholder's right to receive payment is established.

Premiums and contributions from general insurance and general takaful businesses, respectively, are recognised as income in a financial period in respect of risks assumed during that particular financial period. Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

Premiums and contributions for life assurance and family takaful businesses, respectively, are recognised as income on assumption of risks and subsequent premiums are recognised on due dates. Premiums outstanding at balance sheet date are recognised as income for the period provided they are still within the grace period allowed for payment. Contribution income on long term policies is recognised as earned based on the time-apportionment method.

Gross contributions for takaful business are accounted for on accrual basis in accordance with the Principles of Shariah as advised by Mayban Takaful Berhad's Shariah Committee. Unrealised income is deferred and receipts in advance are treated as liabilities in the balance sheet.

Rollover fees on margin accounts and management fees from management of unit trust are recognised on an accrual basis.

**(xxv) Interest, Financing and Related Expense Recognition**

Interest expense and attributable profit (on activities relating to IBS business) on deposits and borrowings of the Group and the Bank are expensed as incurred.

Handling fees paid to motor vehicle dealers on hire purchase loans are charged to income statement in the period when they are incurred in accordance with Bank Negara Malaysia Circular dated 4 July 2003.

**(xxvi) Employee Benefits**

*(a) Short Term Benefits*

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Bank. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

*(b) Defined Contribution Plans*

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Certain foreign branches of the Bank and subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statement when incurred.

**(xxvii) Foreign Currencies**

*(a) Foreign Currency Transactions*

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items which are denominated in foreign currencies and carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are denominated in foreign currencies and carried at fair value are translated using the exchange rate that existed when the values were determined.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

**(xxvii) Foreign Currencies (Cont'd.)**

*(b) Foreign Operations and Entities*

All exchange differences are taken to the income statement.

Financial statements of foreign consolidated subsidiaries and amalgamated branches are translated at year-end exchange rates with respect to the balance sheet, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are recognised in equity.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows:

| | 2006 RM | 2005 RM |
|---|---|---|
| Singapore Dollars (SGD) | **2.3167** | 2.2564 |
| Hong Kong Dollars (HKD) | **0.4733** | 0.4890 |
| United States Dollars (USD) | **3.6760** | 3.8000 |
| Philippines Peso (Peso) | **0.0692** | 0.0678 |
| Indonesia Rupiah (IDR) | **0.0004** | 0.0004 |
| Papua New Guinea Kina (Kina) | **1.2315** | 1.2426 |
| Brunei Dollars (BND) | **2.3167** | 2.2564 |
| Great Britain Pound (GBP) | **6.7304** | 6.8571 |

**(xxviii) Derivatives**

*(a) Foreign Exchange Contracts*

Foreign exchange trading positions, including spot and forward contracts, are revalued at prevailing market rates at balance sheet date and the resultant gains and losses are recognised in the income statement.

*(b) Interest Rate Swaps and Futures Contracts*

With the adoption of the revised BNM/GP8 as stated in Note 3(ii)(b), interest rate swaps and futures contracts are deemed derivatives. With effect from 1 July 2005, all derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the income statement unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

(i) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

(ii) Cash flow hedge

Gains and losses on the hedging instrument, to the extent that the hedge is effective, are deferred in a separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are released to the income statement in the periods when the hedged item affects the income statement.

Prior to the adoption of the new accounting policies stated in Note 3(ii)(b), the accounting policy for interest rate swaps and future contracts are as follows:

*(c)* Interest income or interest expense associated with interest rate swaps that qualify as hedges is recognised over the life of the swap agreement as a component of interest income or interest expense.

*(d)* Gains and losses on interest rate swaps and futures contracts that do not qualify as hedges are recognised in the current year using mark-to-market method and are included in the income statement.

**(xxix) Cash and Cash Equivalents**

For the purpose of the cash flow statements, cash and cash equivalents include cash and bank balances and short-term funds with remaining maturity of less than one month.

**(xxx) Impairment of Assets**

At each balance sheet date, the Group and the Bank review the carrying amounts of the assets, other than financial instruments to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately.

**(xxxi) Financial Instruments**

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument. The accounting policies on recognition and measurement of these items are disclosed in their respective accounting policies.

Financial instruments are classified as liabilities or equities in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

## 4. CASH AND SHORT-TERM FUNDS

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Cash, balances and deposits with banks and other financial institutions | **31,985,854** | 18,762,517 | **27,516,211** | 18,479,404 |
| Money at call | **49,541** | 3,833,927 | **26,241** | – |
| | **32,035,395** | 22,596,444 | **27,542,452** | 18,479,404 |

Included in cash and short-term funds of the Group are monies held in trust of RM99,124,643 (2005: RM66,859,832) in respect of the stockbroking business.

## 5. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Licensed banks | **3,200,946** | 2,546,623 | **2,630,947** | 4,308,680 |
| Licensed finance companies | **–** | 1,066 | **–** | – |
| Licensed merchant banks | **50,000** | 13,650 | **50,000** | 15,000 |
| Bank Negara Malaysia | **474,545** | 6,639,680 | **3,965** | 5,529,280 |
| Other financial institutions | **325,918** | 123,777 | **325,918** | 122,776 |
| | **4,051,409** | 9,324,796 | **3,010,830** | 9,975,736 |

## 6. SECURITIES PURCHASED UNDER RESALE AGREEMENTS AND OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

(i) The underlying securities purchased under resale agreements are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Malaysian Government Securities | **1,154,603** | 102,376 | **1,154,603** | 102,376 |
| Foreign government treasury bills | **349,354** | 194,495 | **349,354** | 194,495 |
| Negotiable instruments of deposits | **–** | 2,986 | **–** | – |
| | **1,503,957** | 299,857 | **1,503,957** | 296,871 |

The fair value of securities accepted as collateral under the resale agreements that the Bank is permitted to sell or repledge in the absence of default by the counterparties is approximately RM1,154,131,851 (2005: RM111,837,500).

(ii) The securities sold under repurchase agreements are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Securities (Note 7(vi)(b)) | **7,770,662** | 1,690,366 | **6,711,809** | 1,484,940 |
| Bankers' acceptances (Note 8(viii)) | **4,505,476** | 5,937,329 | **4,505,476** | 5,937,329 |
| | **12,276,138** | 7,627,695 | **11,217,285** | 7,422,269 |

## 7. SECURITIES PORTFOLIO

| | Note | Group | | Bank | |
|---|---|---|---|---|---|
| | | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Securities held-for-trading | (i) | **477,698** | **–** | **476,976** | **–** |
| Securities available-for-sale | (ii) | **27,445,865** | **–** | **23,143,904** | **–** |
| Securities held-to-maturity | (iii) | **5,798,259** | **–** | **3,268,867** | **–** |
| Dealing securities | (iv) | **–** | 629,110 | **–** | 230,617 |
| Investment securities | (v) | **–** | 27,631,906 | **–** | 21,897,560 |
| | | **33,721,822** | 28,261,016 | **26,889,747** | 22,128,177 |

Prior year comparative figures have not been restated in accordance with the newly adopted accounting policies for the reasons explained in Note 3(ii)(a).

## 7. SECURITIES PORTFOLIO (CONT'D.)

### (i) Securities Held-for-Trading

| | 2006 | |
|---|---|---|
| | Group RM'000 | Bank RM'000 |
| At fair value | | |
| **Money Market Instruments:** | | |
| Malaysian Government Treasury Bills | 21,800 | 21,800 |
| Bank Negara Malaysia Bills and Notes | 225,343 | 225,343 |
| Bankers' acceptances and Islamic accepted bills | 722 | – |
| | 247,865 | 247,143 |
| **Unquoted securities:** | | |
| Foreign private debt securities | 229,833 | 229,833 |
| | 229,833 | 229,833 |
| Total securities held-for-trading | 477,698 | 476,976 |

### (ii) Securities Available-for-Sale

| | 2006 | |
|---|---|---|
| | Group RM'000 | Bank RM'000 |
| At fair value, or at cost less impairment losses for certain unquoted equity instruments | | |
| **Money market instruments:** | | |
| Malaysian Government Securities | 3,264,639 | 2,452,659 |
| Cagamas bonds | 2,012,688 | 1,600,531 |
| Foreign government securities | 2,257,642 | 2,208,481 |
| Malaysian Government Treasury Bills | 127,500 | 127,500 |
| Malaysian Government Investment Issues | 1,822,126 | 1,695,199 |
| Foreign government treasury bills | 759,497 | 667,404 |
| Negotiable instruments of deposits | 1,005,152 | 1,495,850 |
| Bankers' acceptances and Islamic accepted bills | 4,106,895 | 4,106,895 |
| Khazanah bonds | 733,163 | 555,579 |
| Bank Negara Malaysia Sukuk Ijarah | 199,403 | 199,403 |
| Foreign certificates of deposits | 77,572 | – |
| | 16,366,277 | 15,109,501 |
| **Quoted Securities:** | | |
| In Malaysia: | | |
| Shares, warrants, trust units and loan stocks | 553,152 | 162,952 |
| Outside Malaysia: | | |
| Shares, warrants, trust units and loan stocks | 56,744 | 25,580 |
| | 609,896 | 188,532 |
| **Unquoted Securities:** | | |
| Shares, trust units and loan stocks in Malaysia | 808,353 | 509,549 |
| Shares, trust units and loan stocks outside Malaysia | 10,084 | 6,219 |
| Private and Islamic debt securities in Malaysia | 4,557,044 | 2,576,144 |
| Malaysian Government bonds | 317,446 | 317,446 |
| Foreign Islamic and private debt securities | 4,254,122 | 3,982,741 |
| Malaysia Global Sukuk | 92,137 | – |
| Credit linked notes (Note 7(vi)(d)) | 453,772 | 453,772 |
| Others | 10 | – |
| | 10,492,968 | 7,845,871 |
| Accumulated impairment losses | (23,276) | – |
| Total securities available-for-sale | 27,445,865 | 23,143,904 |

### (iii) Securities Held-to-Maturity

| | 2006 | |
|---|---|---|
| | Group RM'000 | Bank RM'000 |
| At amortised cost | | |
| **Money market instruments:** | | |
| Malaysian Government Securities | 2,201,298 | 2,088,881 |
| Cagamas bonds | 504,342 | 222,347 |
| Foreign government securities | 273,674 | 1,286 |
| Malaysian Government Investment Issues | 183,904 | 183,904 |
| Khazanah bonds | 4,925 | 2,496 |
| Bankers' acceptances and Islamic accepted bills | 920,427 | – |
| Negotiable instruments of deposits | 70,000 | – |
| | 4,158,570 | 2,498,914 |

## 7. SECURITIES PORTFOLIO (CONT'D.)

### (iii) Securities Held-to-Maturity (Cont'd.)

| | 2006 | |
|---|---|---|
| | Group RM'000 | Bank RM'000 |
| **Unquoted Securities:** | | |
| Private and Islamic debt securities in Malaysia | 1,067,618 | 197,900 |
| Malaysian Government bonds | 48,150 | 48,150 |
| Foreign government bonds | 18 | – |
| Foreign Islamic and private debt securities | 359,994 | 359,994 |
| Credit linked note (Note 7(vi)(d)) | 183,800 | 183,800 |
| Others | 2,044 | 2,044 |
| | 1,661,624 | 791,888 |
| Accumulated impairment losses | (21,935) | (21,935) |
| Total securities held-to-maturity | 5,798,259 | 3,268,867 |
| Indicative value of unquoted securities held-to-maturity: | | |
| Malaysian Government Securities | 2,185,125 | 2,072,989 |
| Cagamas bonds | 499,976 | 218,934 |
| Foreign government securities | 272,674 | 1,286 |
| Malaysian Government Investment Issues | 182,647 | 182,647 |
| Khazanah bonds | 4,965 | 2,507 |
| Bankers' acceptances and Islamic accepted bills | 920,427 | – |
| Negotiable instruments of deposits | 70,000 | – |
| Private and Islamic debt securities in Malaysia | 1,074,734 | 172,983 |
| Malaysian Government bonds | 51,270 | 51,270 |
| Foreign government bonds | 17 | – |
| Foreign Islamic and private debt securities | 371,117 | 371,117 |
| Credit linked note | 183,800 | 183,800 |
| Others | 2,044 | 2,044 |

### (iv) Dealing securities

| | 2005 | |
|---|---|---|
| | Group RM'000 | Bank RM'000 |
| At lower of cost and market value | | |
| **Money market instruments:** | | |
| Malaysian Government Treasury Bills | 49,124 | 49,124 |
| Malaysian Government Investment Issues | 5,037 | – |
| Bank Negara Malaysia Bills and Notes | 104,625 | 104,625 |
| Bankers' acceptances and Islamic accepted bills | 23,257 | – |
| Khazanah bonds | 25,621 | – |
| Foreign certificates of deposit | 84,577 | – |
| | 292,241 | 153,749 |
| **Quoted securities:** | | |
| Shares | 1 | – |
| **Unquoted securities:** | | |
| Private and Islamic debt securities in Malaysia | 260,000 | – |
| Foreign public authority and private debt securities | 76,868 | 76,868 |
| | 336,868 | 76,868 |
| | 629,110 | 230,617 |
| (a) Market value of quoted securities: | | |
| Shares | 1 | – |
| (b) Indicative value of unquoted securities: | | |
| Malaysian Government Treasury Bills | 49,124 | 49,124 |
| Malaysian Government Investment Issues | 5,037 | – |
| Bank Negara Malaysia Bills and Notes | 104,625 | 104,625 |
| Khazanah bonds | 25,621 | – |
| Foreign certificates of deposit | 84,577 | – |
| Private and Islamic debt securities in Malaysia | 260,000 | – |
| Foreign public authority and private debt securities | 76,868 | 76,868 |

The carrying values of bankers' acceptances and Islamic accepted bills approximated the market value due to their relatively short maturities.

## 7. SECURITIES PORTFOLIO (CONT'D.)

### (v) Investment securities

| | 2005 | |
|---|---|---|
| | Group RM'000 | Bank RM'000 |
| Carried at the basis stated in Note 3(vi)(e) | | |
| **Money market instruments:** | | |
| Malaysian Government Securities | 3,344,490 | 3,198,889 |
| Cagamas bonds | 1,935,731 | 1,522,386 |
| Foreign government securities | 1,573,624 | 1,253,116 |
| Malaysian Government Treasury Bills | 109,942 | 109,942 |
| Malaysian Government Investment Issues | 1,082,884 | 1,036,405 |
| Foreign government treasury bills | 901,986 | 801,883 |
| Negotiable instruments of deposits | 3,098,180 | 2,742,261 |
| Bankers' acceptances and Islamic accepted bills | 2,159,165 | 843,630 |
| Khazanah bonds | 788,071 | 649,091 |
| | 14,994,073 | 12,157,603 |
| **Quoted securities:** | | |
| In Malaysia: | | |
| Shares, warrants, trust units and loan stocks | 672,834 | 386,501 |
| Outside Malaysia: | | |
| Shares, warrants, trust units and loan stocks | 89,241 | 70,021 |
| | 762,075 | 456,522 |
| **Unquoted securities:** | | |
| Shares, trust units and loan stocks in Malaysia | 1,470,446 | 959,430 |
| Private and Islamic debt securities in Malaysia | 6,097,116 | 3,773,070 |
| Malaysian Government bonds | 451,051 | 451,051 |
| Foreign government bonds | 38,127 | 38,127 |
| Foreign Islamic and private debt securities | 4,482,588 | 4,459,266 |
| Malaysia Global Sukuk | 95,042 | – |
| Credit linked notes (Note 7(vi)(d)) | 570,000 | 570,000 |
| Others | 8,535 | 8,535 |
| | 13,212,905 | 10,259,479 |
| Provision for diminution in value of: | | |
| Shares, warrants, trust units and loan stocks quoted in Malaysia | (392,557) | (228,620) |
| Shares, warrants, trust units and loan stocks quoted outside Malaysia | (63,624) | (62,980) |
| Foreign government bonds and private debt securities | (45,762) | (45,762) |
| Unquoted shares, trust units and loan stocks | (698,822) | (509,430) |
| Unquoted private and Islamic debt securities | (136,382) | (129,252) |
| | (1,337,147) | (976,044) |
| Total investment securities | 27,631,906 | 21,897,560 |

(a) Market value of quoted securities:

| | | |
|---|---|---|
| Shares, warrants, trust units and loan stocks quoted in Malaysia | 449,837 | 259,338 |
| Shares, warrants, trust units and loan stocks quoted outside Malaysia | 38,119 | 18,357 |
| | 487,956 | 277,695 |

(b) Indicative value of unquoted securities:

| | | |
|---|---|---|
| Shares, trust units and loan stocks in Malaysia | 814,334 | 456,492 |
| Malaysian Government Securities | 3,376,284 | 3,229,495 |
| Cagamas bonds | 1,957,525 | 1,538,949 |
| Foreign government securities | 1,575,483 | 1,253,533 |
| Malaysian Government Treasury Bills | 109,904 | 109,904 |
| Malaysian Government Investment Issues | 1,089,115 | 1,042,264 |
| Foreign government treasury bills | 901,296 | 800,998 |
| Khazanah bonds | 793,012 | 653,549 |
| Malaysian Government bonds | 669,794 | 669,794 |
| Foreign government bonds | 40,606 | 40,606 |
| Foreign Islamic and private debt securities | 4,748,448 | 4,595,917 |
| Private and Islamic debt securities in Malaysia | 6,025,027 | 3,709,264 |
| Credit linked note | 570,000 | 570,000 |

### (vi) Other disclosures

(a) The maturity structure of money market instruments available-for-sale and held-to-maturity (2005: investment securities) are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Maturing within one year | **10,310,769** | 6,618,327 | **9,321,449** | 5,117,740 |
| One year to three years | **6,164,226** | 5,105,896 | **4,884,204** | 4,451,923 |
| Three years to five years | **2,786,050** | 1,824,545 | **2,334,622** | 1,365,022 |
| After five years | **1,263,802** | 1,445,305 | **1,068,140** | 1,222,918 |
| | **20,524,847** | 14,994,073 | **17,608,415** | 12,157,603 |

## 7. SECURITIES PORTFOLIO (CONT'D.)

### (vi) Other disclosures (Cont'd.)

(b) Included in the securities available-for-sale and held-to-maturity (2005: investment securities) are the following securities sold under repurchase agreements:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Malaysian Government securities | **2,234,875** | – | **2,234,875** | – |
| Cagamas bonds | **182,066** | – | **118,718** | – |
| Negotiable instruments of deposits | **969,985** | 764,980 | **799,985** | 764,980 |
| Bankers' acceptances and Islamic accepted bills | **2,348,105** | 257,325 | **2,211,155** | 51,899 |
| Private debt securities | **2,035,631** | 668,061 | **1,347,076** | 668,061 |
| | **7,770,662** | 1,690,366 | **6,711,809** | 1,484,940 |

(c) Included in previous year's foreign private debt securities of the Group and the Bank in investment securities was an amount of USD12,000,000 or Ringgit Malaysia equivalent of RM45,600,000 pledged to a foreign bank, which is the counter party for asset swap transactions with total underlying amount of USD50,000,000 or Ringgit Malaysia equivalent of RM190,000,000.

(d) Included in securities available for sale and held-to-maturity (2005: investment securities) are credit linked notes with a face value of USD175,000,000 (2005: USD150,000,000) or Ringgit Malaysia equivalent of RM643,300,000 (2005: RM570,000,000) with embedded credit default swaps. The notes would be redeemed at face values on maturity date provided there is no occurrence of a specified credit event affecting the reference entities or their obligations. If there is an occurrence of a credit event, the underlying asset (the reference obligation of the reference entity), or a cash settlement amount to be determined with reference to the market value of the underlying asset in accordance with the terms of the contract, would be delivered by the issuer of the note.

(e) Included in the provision for diminution in value for investment securities above for the previous financial year was specific allowances and interest/income-in-suspense transferred from loans, advances and financing as a result of loans converted to investment securities as follows:

| | 2005 | |
|---|---|---|
| | Group RM'000 | Bank RM'000 |
| Specific allowances | 23,152 | 23,152 |
| Interest/income-in-suspense | 404 | 404 |

(f) Included in foreign private debt securities in securities available-for-sale (2005: investment securities) of the Group and the Bank above is an amount of USD10,000,000 (2005: USD10,000,000) or Ringgit Malaysia equivalent of RM36,760,000 (2005: RM38,000,000) pledged with the New York State Banking Department in satisfaction of capital equivalency deposit requirements.

## 8. LOANS, ADVANCES AND FINANCING

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Overdrafts | **13,566,214** | 13,613,333 | **13,533,809** | 13,602,819 |
| Term loans | | | | |
| – Housing loans/financing | **25,906,418** | 21,411,589 | **25,556,944** | 21,411,589 |
| – Syndicated loan/financing | **6,497,354** | 6,386,177 | **5,058,608** | 4,067,302 |
| – Hire purchase receivables | **22,926,152** | 20,330,522 | **22,924,768** | 20,181,992 |
| – Lease receivables | **22,697** | 24,892 | **14,477** | 3,628 |
| – Other loans/financing | **39,380,762** | 33,685,038 | **37,900,942** | 32,048,793 |
| Credit card receivables | **2,300,567** | 1,965,364 | **2,300,567** | 1,965,364 |
| Bills receivable | **1,174,201** | 1,315,885 | **1,159,709** | 1,533,690 |
| Trust receipts | **2,704,954** | 2,701,105 | **2,703,879** | 2,684,336 |
| Claims on customers under acceptance credits | **7,846,537** | 11,934,883 | **7,815,683** | 11,911,517 |
| Loans/financing to banks and other financial institutions | **11,410,876** | 10,791,663 | **11,409,931** | 10,776,311 |
| Revolving credits | **14,811,275** | 13,960,097 | **14,456,194** | 13,507,949 |
| Staff loans | **954,673** | 1,009,427 | **899,137** | 968,103 |
| Housing loans to | | | | |
| – Executive directors of the Bank | **374** | 428 | **374** | 428 |
| – Executive directors of subsidiaries | **960** | 2,194 | **960** | 2,194 |
| Others | **236,154** | 238,165 | **–** | – |
| | **149,740,168** | 139,370,762 | **145,735,982** | 134,666,015 |
| Unearned interest and income | **(11,861,142)** | (11,914,492) | **(11,823,254)** | (11,871,161) |
| Gross loans, advances and financing | 137,879,026 | 127,456,270 | **133,912,728** | 122,794,854 |
| Allowances for bad and doubtful debts/financing | | | | |
| – Specific | **(4,010,299)** | (3,541,718) | **(3,805,936)** | (3,249,740) |
| – General | **(2,415,073)** | (2,810,356) | **(2,258,397)** | (2,596,076) |
| Interest/income-in-suspense* | **–** | (1,510,382) | **–** | (1,467,406) |
| Net loans, advances and financing | **131,453,654** | 119,593,814 | **127,848,395** | 115,481,632 |

* In accordance with the revised BNM/GP8, interest income accrued on non-performing loans which have not been collected is set off against the gross loan balance.

## 8. LOANS, ADVANCES AND FINANCING (CONT'D.)

(i) Loans, advances and financing analysed by type of customer are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| **Domestic operations:** | | | | |
| Domestic banking institution | – | 665 | – | 665 |
| Domestic non-bank financial institutions | | | | |
| – Stockbroking companies | 131,896 | 204,047 | 131,896 | 204,047 |
| – Others | 10,820,402 | 10,586,762 | 10,823,065 | 10,569,169 |
| Domestic business enterprise | | | | |
| – Small and medium enterprise | 23,321,481 | 20,794,134 | 23,292,469 | 20,772,772 |
| – Others | 19,733,316 | 20,000,292 | 19,563,712 | 19,859,385 |
| Government and statutory bodies | 1,050,597 | 1,118,981 | 1,047,931 | 1,115,370 |
| Individuals | 50,252,687 | 47,198,722 | 50,048,025 | 47,183,516 |
| Other domestic entities | 215,094 | 73,781 | 212,128 | 73,629 |
| Foreign entities | 314,546 | 444,041 | 261,178 | 388,012 |
| Total domestic operations | 105,840,019 | 100,421,425 | 105,380,404 | 100,166,565 |
| **Overseas operations:** | | | | |
| Singapore | 24,283,980 | 17,899,783 | 24,283,980 | 17,899,783 |
| Labuan offshore | 2,932,332 | 3,860,522 | – | – |
| Hong Kong SAR | 1,528,711 | 1,388,034 | 1,528,711 | 1,388,034 |
| United States of America | 874,081 | 570,893 | 874,081 | 570,893 |
| People's Republic of China | 518,916 | 437,316 | 518,916 | 437,316 |
| Vietnam | 338,886 | 363,802 | 338,886 | 363,802 |
| United Kingdom | 566,768 | 225,769 | 566,768 | 225,769 |
| Brunei | 197,275 | 192,663 | 197,275 | 192,663 |
| Cambodia | 51,236 | 82,623 | 51,236 | 82,623 |
| Bahrain | 172,471 | – | 172,471 | – |
| Philippines | 506,555 | 431,045 | – | – |
| Indonesia | 40,204 | 41,329 | – | – |
| Papua New Guinea | 27,592 | 30,684 | – | – |
| Total overseas operations | 32,039,007 | 25,524,463 | 28,532,324 | 21,160,883 |
| | 137,879,026 | 125,945,888 | 133,912,728 | 121,327,448 |
| Transitional adjustment (Notes 3(ii)(c) and 47): | | | | |
| Interest/income-in-suspense | – | 1,510,382 | – | 1,467,406 |
| Gross loans, advances and financing | 137,879,026 | 127,456,270 | 133,912,728 | 122,794,854 |

(ii) Loans, advances and financing analysed by interest/profit rate sensitivity are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Fixed rate | | | | |
| – Housing loans/financing | 12,991,134 | 11,471,746 | 12,847,935 | 11,416,361 |
| – Hire purchase receivables | 19,992,510 | 17,008,268 | 19,980,718 | 16,776,980 |
| – Other fixed rate loans/financing | 16,510,789 | 24,979,726 | 16,267,590 | 34,945,150 |
| Variable rate | | | | |
| – Base lending rate plus | 46,576,057 | 41,577,203 | 46,302,114 | 41,470,986 |
| – Cost plus | 12,216,671 | 10,521,092 | 12,152,482 | 10,114,643 |
| – Other variable rates | 29,591,865 | 20,387,853 | 26,361,889 | 6,603,328 |
| | 137,879,026 | 125,945,888 | 133,912,728 | 121,327,448 |
| Transitional adjustment (Notes 3(ii)(c) and 47): | | | | |
| Interest/income-in-suspense | – | 1,510,382 | – | 1,467,406 |
| Gross loans, advances and financing | 137,879,026 | 127,456,270 | 133,912,728 | 122,794,854 |

(iii) Loans, advances and financing analysed by sector are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| **Domestic operations:** | | | | |
| Agriculture, hunting, forestry and fishing | 1,906,894 | 2,148,655 | 1,906,894 | 2,146,681 |
| Mining and quarrying | 223,328 | 172,366 | 223,328 | 167,311 |
| Manufacturing | 12,559,367 | 12,109,259 | 12,531,250 | 12,033,307 |
| Electricity, gas and water | 2,577,925 | 1,612,109 | 2,568,675 | 1,601,536 |
| Construction | 5,885,779 | 6,081,521 | 5,788,199 | 5,950,597 |
| Real estate | 1,747,524 | 1,648,017 | 1,700,114 | 1,600,362 |
| Purchase of landed properties | | | | |
| – Residential | 24,462,017 | 24,102,140 | 24,429,998 | 24,068,297 |
| – Non-residential | 6,774,708 | 6,358,038 | 6,773,961 | 6,358,038 |
| – Less Islamic loans sold to Cagamas | (448,185) | (477,300) | (448,185) | (477,300) |
| Carried forward | 55,689,357 | 53,754,805 | 55,474,234 | 53,448,829 |

## 8. LOANS, ADVANCES AND FINANCING (CONT'D.)

(iii) Loans, advances and financing analysed by sector are as follows: (Cont'd.)

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| **Domestic operations: (Cont'd.)** | | | | |
| Brought forward | 55,689,357 | 53,754,805 | 55,474,234 | 53,448,829 |
| Wholesale and retail trade, restaurants and hotels | 9,213,590 | 8,362,646 | 9,187,973 | 8,305,002 |
| Transport, storage and communication | 1,473,338 | 1,222,438 | 1,472,587 | 1,198,115 |
| Finance, insurance and business services | 12,193,576 | 11,540,412 | 12,187,963 | 11,762,889 |
| Purchase of securities | 8,605,303 | 7,296,973 | 8,444,064 | 7,045,749 |
| Purchase of transport vehicles | 12,549,834 | 11,434,911 | 12,545,752 | 11,432,561 |
| – Less Islamic loans sold to Cagamas | (1,127,571) | (270,216) | (1,127,571) | (270,216) |
| Consumption credit | 4,789,906 | 4,471,174 | 4,789,898 | 4,468,373 |
| Others | 2,452,688 | 4,054,909 | 2,405,504 | 4,030,476 |
| Total domestic operations | 105,840,021 | 101,868,052 | 105,380,404 | 101,421,778 |
| **Overseas operations:** | | | | |
| Singapore | 24,283,980 | 17,907,807 | 24,283,980 | 18,081,107 |
| Labuan offshore | 2,932,332 | 3,877,932 | – | – |
| Hong Kong SAR | 1,528,711 | 1,397,304 | 1,528,711 | 1,397,304 |
| United States of America | 874,081 | 581,387 | 874,081 | 581,387 |
| People's Republic of China | 518,916 | 437,465 | 518,916 | 437,465 |
| Vietnam | 338,886 | 363,802 | 338,886 | 363,802 |
| United Kingdom | 566,768 | 225,769 | 566,768 | 225,769 |
| Brunei | 197,275 | 203,023 | 197,275 | 203,023 |
| Cambodia | 51,236 | 83,219 | 51,236 | 83,219 |
| Bahrain | 172,471 | – | 172,471 | – |
| Philippines | 506,554 | 431,045 | – | – |
| Indonesia | 40,204 | 42,734 | – | – |
| Papua New Guinea | 27,591 | 36,731 | – | – |
| Total overseas operations | 32,039,005 | 25,588,218 | 28,532,324 | 21,373,076 |
| Gross loans, advances and financing | 137,879,026 | 127,456,270 | 133,912,728 | 122,794,854 |

(iv) The maturity structure of loans, advances and financing is as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Maturity within one year | 49,497,064 | 50,420,802 | 48,552,822 | 49,426,065 |
| One year to three years | 8,770,081 | 8,700,713 | 7,875,830 | 7,900,219 |
| Three years to five years | 15,490,002 | 14,333,599 | 14,190,048 | 12,907,830 |
| After five years | 64,121,879 | 54,001,156 | 63,294,028 | 52,560,740 |
| | 137,879,026 | 127,456,270 | 133,912,728 | 122,794,854 |

(v) Movements in the non-performing loans, advances and financing ("NPL") are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Balance at beginning of year | 9,609,580 | 12,296,828 | 8,991,886 | 9,458,681 |
| Non-performing during the year | 5,495,459 | 7,419,930 | 5,452,229 | 6,426,948 |
| Reclassified as performing | (2,850,207) | (3,607,732) | (2,808,657) | (3,125,451) |
| Acquisition of subsidiaries | 1,051 | – | – | – |
| Transfer from subsidiaries | – | – | 1,119 | 2,476,787 |
| Recovered during the year | (2,010,281) | (2,294,830) | (1,945,499) | (2,241,545) |
| Amount written off | (1,069,806) | (2,726,172) | (980,528) | (2,567,616) |
| Converted to securities | (18,824) | (23,556) | (17,827) | (23,556) |
| Exchange differences and expenses debited to customers' accounts | 54,966 | 55,494 | 64,874 | 55,044 |
| Balance at end of year | 9,211,938 | 11,119,962 | 8,757,597 | 10,459,292 |
| Less: | | | | |
| – Interest/income-in-suspense* | – | (1,510,382) | – | (1,467,406) |
| | 9,211,938 | 9,609,580 | 8,757,597 | 8,991,886 |
| – Specific allowance | (4,010,299) | (3,541,718) | (3,805,936) | (3,249,740) |
| Net balance | 5,201,639 | 6,067,862 | 4,951,661 | 5,742,146 |

## 8. LOANS, ADVANCES AND FINANCING (CONT'D.)

(v) Movements in the non-performing loans, advances and financing ("NPL") are as follows: (Cont'd.)

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Gross loans, advances and financing | 137,879,026 | 127,456,270 | 133,912,728 | 122,794,854 |
| Add: Islamic loans sold to Cagamas | 1,575,756 | 747,516 | 1,575,756 | 747,516 |
| | 139,454,782 | 128,203,786 | 135,488,484 | 123,542,370 |
| Less: | | | | |
| – Specific allowance | (4,010,299) | (3,541,718) | (3,805,936) | (3,249,740) |
| – Interest/income-in-suspense* | – | (1,510,382) | – | (1,467,406) |
| Net loan, advances and financing (including Islamic loans sold to Cagamas) | 135,444,483 | 123,151,686 | 131,682,548 | 118,825,224 |
| Ratio of net non-performing loans | 3.84% | 4.93% | 3.76% | 4.83% |

* In accordance with the revised BNM/GP8, interest income accrued on non-performing loans which have not been collected is set off against the gross loan balance.

(vi) Non-performing loans analysed by sector are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| **Domestic operations:** | | | | |
| Agriculture, hunting, forestry and fishing | 75,612 | 63,428 | 75,612 | 63,428 |
| Mining and quarrying | 5,854 | 3,756 | 5,854 | 3,756 |
| Manufacturing | 917,391 | 849,151 | 909,287 | 835,511 |
| Electricity, gas and water | 420,453 | 413,058 | 420,453 | 412,485 |
| Construction | 907,923 | 855,948 | 890,119 | 822,449 |
| Real estate | 154,428 | 244,480 | 144,459 | 212,070 |
| Purchase of landed properties | | | | |
| – Residential | 2,768,802 | 2,770,423 | 2,767,568 | 2,770,100 |
| – Non-residential | 588,450 | 647,530 | 588,450 | 647,530 |
| Wholesale and retail trade, restaurants and hotels | 643,331 | 582,278 | 643,331 | 569,118 |
| Transport, storage and communication | 35,789 | 33,154 | 35,789 | 32,274 |
| Finance, insurance and business services | 350,501 | 360,464 | 350,501 | 360,464 |
| Purchase of securities | 366,190 | 439,428 | 308,385 | 354,261 |
| Purchase of transport vehicles | 167,350 | 223,896 | 167,173 | 223,896 |
| Consumption credit | 311,782 | 341,221 | 311,782 | 341,221 |
| Others | 481,168 | 474,098 | 462,548 | 450,347 |
| Total domestic operations | 8,195,024 | 8,302,313 | 8,081,311 | 8,098,910 |
| **Overseas operations:** | | | | |
| Singapore | 574,548 | 684,835 | 574,548 | 684,834 |
| Labuan offshore | 274,683 | 325,355 | – | – |
| United States of America | – | 27,312 | – | 27,312 |
| Hong Kong SAR | 31,341 | 115,381 | 31,341 | 115,381 |
| Brunei | 36,644 | 37,447 | 36,644 | 37,447 |
| Vietnam | 17,806 | 18,406 | 17,806 | 18,406 |
| People's Republic of China | 12,133 | 5,700 | 12,133 | 5,700 |
| Cambodia | 3,814 | 3,896 | 3,814 | 3,896 |
| Papua New Guinea | 5,006 | 5,592 | – | – |
| Philippines | 58,566 | 71,211 | – | – |
| Indonesia | 2,373 | 12,132 | – | – |
| Total overseas operations | 1,016,914 | 1,307,267 | 676,286 | 892,976 |
| | 9,211,938 | 9,609,580 | 8,757,597 | 8,991,886 |

(vii) Movements in the allowance for bad and doubtful debts are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| **Specific allowance:** | | | | |
| Balance at beginning of year | 3,541,718 | 3,634,101 | 3,249,740 | 2,688,326 |
| Allowance made during the year | 2,203,167 | 2,641,324 | 2,121,737 | 2,124,527 |
| Amount written back in respect of recoveries | (640,065) | (707,911) | (557,170) | (430,957) |
| Acquisition of subsidiaries | 548 | – | – | – |
| Transfer from subsidiaries | – | – | 1,119 | 772,431 |
| Amount written off | (1,054,184) | (1,949,754) | (979,826) | (1,828,805) |
| Transfer (to)/from general allowance | (12,683) | 7,289 | (5,114) | 7,237 |
| Transfer to impairment losses in value of securities | (12,769) | (23,152) | (12,536) | (23,152) |
| Transfer to restructured/rescheduled loans and financing | (21,390) | (65,632) | (21,390) | (65,632) |
| Exchange differences | 5,957 | 5,453 | 9,376 | 5,765 |
| Balance at end of year | 4,010,299 | 3,541,718 | 3,805,936 | 3,249,740 |

## 8. LOANS, ADVANCES AND FINANCING (CONT'D.)

(vii) Movements in the allowance for bad and doubtful debts are as follows: (Cont'd.)

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| **General allowance:** | | | | |
| Balance at beginning of year | 2,810,356 | 3,625,584 | 2,596,076 | 2,689,417 |
| Allowance made during the year | 18,015 | 22,934 | – | – |
| Amount written back | (425,182) | (833,555) | (345,278) | (88,753) |
| Transfer from/(to) specific allowance | 12,683 | (7,289) | 5,114 | (7,237) |
| Exchange differences | (799) | 2,682 | 2,485 | 2,649 |
| Balance at end of year | 2,415,073 | 2,810,356 | 2,258,397 | 2,596,076 |
| As a percentage of total loans (including Islamic loans sold to Cagamas, less specific allowance (and interest/income-in-suspense for 2005)) | 1.78% | 2.28% | 1.72% | 2.18% |
| As a percentage of total risk-weighted assets for credit risk excluding deferred tax assets | 1.63% | 2.11% | 1.66% | 2.07% |

(viii) Included in loans, advances and financing of the Group and the Bank are bankers' acceptances sold under repurchase agreements amounting to RM4,505,476,268 (2005: RM5,937,328,955).

## 9. OTHER ASSETS

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Interest receivables | 731,940 | 485,023 | 614,254 | 459,627 |
| Prepayments and deposits | 185,997 | 7,956 | 182,604 | 6,838 |
| Other debtors | 1,523,912 | 948,718 | 544,177 | 466,527 |
| Tax recoverable | 120,275 | 61,213 | – | – |
| Foreclosed properties | 98,302 | 117,266 | 39,502 | 54,524 |
| Investment properties | 21,788 | 38,074 | – | – |
| Derivative assets (Notes 3(xxviii)(b) and 47(iii)) | 343,367 | 6,083 | 343,367 | 6,083 |
| | 3,025,581 | 1,664,333 | 1,723,904 | 993,599 |

## 10. STATUTORY DEPOSITS WITH CENTRAL BANKS

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| With Bank Negara Malaysia | 2,856,925 | 3,629,927 | 2,809,699 | 3,547,000 |
| With other Central Banks | 844,899 | 598,854 | 706,296 | 504,998 |
| | 3,701,824 | 4,228,781 | 3,515,995 | 4,051,998 |

The non-interest-bearing statutory deposits maintained with Bank Negara Malaysia are in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (Revised 1994), the amounts of which are determined as set percentages of total eligible liabilities. The statutory deposits of the foreign branches and subsidiaries are denominated in foreign currencies and maintained with the Central Banks of respective countries, in compliance with the applicable legislations.

## 11. INVESTMENT IN SUBSIDIARIES

| | Bank | |
|---|---|---|
| | 2006 RM'000 | 2005 RM'000 |
| Unquoted shares, at cost | | |
| – In Malaysia | 2,386,908 | 1,589,108 |
| – Outside Malaysia | 669,687 | 669,672 |
| | 3,056,595 | 2,258,780 |
| Less: Provision for diminution in value | (342,802) | (342,802) |
| | 2,713,793 | 1,915,978 |

## 11. INVESTMENT IN SUBSIDIARIES (CONT'D.)

**(a) Acquisition of MNI Holdings Berhad ("MNIH")**

On 13 December 2005, a subsidiary, Mayban Fortis Holdings Berhad ("MFHB") acquired 210,060,496 ordinary shares of RM1.00 each, representing approximately 73.62% of the share capital of MNIH for a consideration of RM844.4 million. At the completion of the Mandatory General Offer ("MGO") and the subsequent compulsory acquisition of the remaining MNIH shares, MFHB's total equity interest in MNIH increased to 100.00% for an additional consideration of approximately RM302.6 million, further details of which are disclosed in Note 44(a).

*(i) Acquisition of 73.62% of the share capital of MNIH*

The fair values of the assets acquired and liabilities assumed of MNIH Group as at the deemed acquisition date of 31 December 2005 where MFHB obtained control over MNIH were:

| | RM'000 |
|---|---|
| Property and equipment | 79,864 |
| Investments | 1,464,603 |
| Loans and receivables | 278,537 |
| Deferred tax assets | 16,907 |
| Cash and bank balances | 44,779 |
| Life, general takaful and family takaful fund assets | 6,918,562 |
| Provision for outstanding claims | (246,217) |
| Payables | (207,283) |
| Tax payable | (33,509) |
| Deferred tax liabilities | (8,885) |
| Life, general takaful and family takaful fund liabilities | (475,306) |
| Unearned premium and takaful contribution reserves | (156,025) |
| Life, general takaful and family takaful policy holders' funds | (6,443,256) |
| Minority interests | (49,789) |
| | 1,182,982 |
| Minority interest in MNIH | (312,071) |
| Net assets acquired by MFHB | 870,911 |
| Minority interests in MFHB | (261,273) |
| Reserve on acquisition | (16,634) |
| Group's share of purchase consideration | 593,004 |
| Purchase consideration satisfied by cash | 591,110 |
| Group's share of the cost attributable to the acquisition, paid in cash | 1,894 |
| Group's share of purchase consideration | 593,004 |
| Cash outflow arising on acquisition: | |
| Purchase consideration satisfied by cash | 844,443 |
| Cost attributable to the acquisition, paid in cash | 2,706 |
| Total cash outflow of the Group | 847,149 |
| Less: Cash and cash equivalents of subsidiaries acquired | (44,779) |
| Net cash outflow of the Group | 802,370 |

*(ii) Mandatory General Offer ("MGO") and compulsory acquisition of the remaining MNIH shares*

Subsequent to the assumed acquisition date, the increase in Group's share of net assets of MNIH Group as a result of the MGO and the subsequent compulsory acquisition of the remaining MNIH shares described in Note 44(a)(ii) is as follows:

| | RM'000 |
|---|---|
| Increase in MFHB's share of net assets | 314,752 |
| Minority interests in MFHB | (94,426) |
| Increase in the Group's share of net assets | 220,326 |
| Effect of acquisition from minority interest | (6,979) |
| Group's share of purchase consideration | 213,347 |
| Purchase consideration satisfied by cash | 211,801 |
| Group's share of the cost attributable to the acquisition, paid in cash | 1,546 |
| Group's share of purchase consideration | 213,347 |

*(iii) General Offer ("GO")*

Subsequent to the assumed acquisition date, the increase in Group's share of net assets of MNIH Group as a result of GO described in Note 44(a)(iii) is as follows:

| | RM'000 |
|---|---|
| Increase in MFHB's share of net assets | 50,091 |
| Minority interests in MFHB | (15,027) |
| Increase in the Group's share of net assets | 35,064 |
| Effect of acquisition from minority interest | 32,051 |
| Group's share of purchase consideration satisfied by cash | 67,115 |

## 11. INVESTMENT IN SUBSIDIARIES (CONT'D.)

**(a) Acquisition of MNI Holdings Berhad ("MNIH") (Cont'd.)**

*(iv) Effects on the Group's financial results*

The acquisition had the following effects on the Group's financial results for the financial year:

| | RM'000 |
|---|---|
| Revenue | 176,065 |
| Operating profit | 98,636 |
| Net profit for the year | 70,372 |

*(v) Effects on the Group's financial position as at 30 June 2006*

The acquisition had the following effects on the Group's financial position as at 30 June 2006:

| | RM'000 |
|---|---|
| Property and equipment | 88,471 |
| Investments | 855,386 |
| Loans and receivables | 344,781 |
| Tax recoverable | 64,896 |
| Deferred tax assets | 10,834 |
| Cash and bank balances | 458,585 |
| Life, general takaful and family takaful fund assets | 7,227,531 |
| Provision for outstanding claims | (231,167) |
| Payables | (319,567) |
| Deferred tax liabilities | (8,937) |
| Life, general takaful and family takaful fund liabilities | (710,058) |
| Unearned premium and takaful contribution reserves | (167,199) |
| Life, general takaful and family takaful policy holders' funds | (6,517,474) |
| | 1,096,082 |
| Minority interests in MFHB | (328,825) |
| Group's share of net assets | 767,257 |

**(b) Transfer of the businesses of Aseamlease Berhad and Aseam Credit Sdn Bhd to the Bank**

The fair values of the assets acquired and liabilities assumed of two subsidiaries, Aseamlease Berhad ("Aseamlease") and Aseam Credit Sdn Bhd ("Aseam Credit"), which were transferred to the Bank as at 2 November 2005 as a result of the transfer of businesses as described in Note 44(c) are as follows:

| | RM'000 |
|---|---|
| Aseam Credit: | |
| Loans, advances and financing | 114,445 |
| Other assets | 772 |
| Other payables | (2,998) |
| Amount due to fellow subsidiaries | (17,330) |
| Net assets transferred | 94,889 |
| Aseamlease: | |
| Cash and short-term funds | 11 |
| Investment in subsidiary | 20,000 |
| Loans, advances and financing | 16,588 |
| Other assets | 12,814 |
| Other payables | (196) |
| Net assets transferred | 49,217 |

**(c) Increase in the Bank's equity interest in Aseambankers Malaysia Berhad ("Aseambankers")**

During the December 2005 quarter, the Bank increased its equity interest in Aseambankers from 79.69% to 94.69% for a total cash consideration of RM83.3 million as described in Note 44(b).

**(d) Details of the subsidiaries are disclosed in Note 49(a).**

## 12. INVESTMENT IN ASSOCIATES

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Unquoted shares, at cost | 15,035 | 14,220 | 7,940 | 10,640 |
| Exchange differences | 2,392 | 2,462 | – | – |
| Share of post-acquisition reserves | (7,807) | 3,366 | – | – |
| | 9,620 | 20,048 | 7,940 | 10,640 |
| Represented by the Group's share of: | | | | |
| Net tangible assets | 9,620 | 20,048 | | |

## 12. INVESTMENT IN ASSOCIATES (CONT'D.)

**(a) Disposal of an associate**

On 8 September 2005, the Group disposed of its 45% equity interest in Computer Recovery Centre Sdn. Bhd. for a total consideration of RM7,020,000.

**(b) Details of the associates are disclosed in Note 49(b).**

## 13. PROPERTY, PLANT AND EQUIPMENT

| Group | *Properties RM'000 | Office Furniture, Fittings, Equipment and Renovations RM'000 | Computers and Peripherals RM'000 | Electrical and Security Equipment RM'000 | Motor Vehicles RM'000 | Buildings-in-Progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Balance at 1 July 2005 | 1,221,539 | 697,970 | 1,094,457 | 144,128 | 17,952 | 26,649 | 3,202,695 |
| Acquisition of subsidiaries | 75,817 | 41,001 | 99,082 | 308 | 3,361 | 5,157 | 224,726 |
| Additions | 10,698 | 26,089 | 88,400 | 3,627 | 2,189 | 39,343 | 170,346 |
| Disposals | (22,209) | (1,118) | (4,391) | (94) | (3,752) | (6,068) | (37,632) |
| Write-offs | – | (31,827) | (52,081) | (1,825) | (826) | (383) | (86,942) |
| Transfers | – | 29,472 | 737 | 926 | – | (30,873) | 262 |
| Exchange differences | 7,848 | 1,289 | 2,661 | 154 | 385 | 13 | 12,350 |
| Balance at 30 June 2006 | **1,293,693** | **762,876** | **1,228,865** | **147,224** | **19,309** | **33,838** | **3,485,805** |
| Accumulated Depreciation and Impairment Losses | | | | | | | |
| Balance at 1 July 2005 | 253,539 | 558,613 | 917,782 | 111,949 | 15,068 | – | 1,856,951 |
| Accumulated depreciation | – | – | – | – | – | – | – |
| Accumulated impairment losses | 4,171 | 4 | – | – | – | – | 4,175 |
| | 257,710 | 558,617 | 917,782 | 111,949 | 15,068 | – | 1,861,126 |
| Charge for the year (Note 28) | 22,502 | 57,757 | 87,791 | 11,327 | 2,345 | – | 181,722 |
| Acquisition of subsidiaries | 11,634 | 35,450 | 82,862 | 266 | 1,876 | – | 132,088 |
| Impairment loss | 1,111 | – | – | – | – | – | 1,111 |
| Disposals | (4,955) | (379) | (4,353) | (15) | (3,146) | – | (12,848) |
| Write-offs | – | (30,943) | (51,578) | (1,802) | (826) | – | (85,149) |
| Exchange differences | 1,192 | 783 | 1,522 | 72 | 378 | – | 3,947 |
| | 289,194 | 621,285 | 1,034,026 | 121,797 | 15,695 | – | 2,081,997 |
| Analysed as: | | | | | | | |
| Accumulated depreciation | 283,912 | 621,281 | 1,034,026 | 121,797 | 15,695 | – | 2,076,711 |
| Accumulated impairment losses | 5,282 | 4 | – | – | – | – | 5,286 |
| | 289,194 | 621,285 | 1,034,026 | 121,797 | 15,695 | – | 2,081,997 |
| Net Book Value | | | | | | | |
| At 30 June 2006 | **1,004,499** | **141,591** | **194,839** | **25,427** | **3,614** | **33,838** | **1,403,808** |
| At 30 June 2005 | 963,829 | 139,353 | 176,675 | 32,179 | 2,884 | 26,649 | 1,341,569 |
| Details at 1 July 2004 | | | | | | | |
| Cost | 1,214,177 | 698,651 | 1,021,322 | 149,468 | 19,057 | 32,374 | 3,135,049 |
| Accumulated depreciation | 233,281 | 552,273 | 833,129 | 114,327 | 15,042 | – | 1,748,052 |
| Accumulated impairment losses | 4,171 | 4 | – | – | – | – | 4,175 |
| Depreciation charge for 2005 (Note 28) | 22,227 | 61,427 | 90,595 | 8,663 | 1,762 | – | 184,674 |
| Impairment loss for 2005 (Note 28) | – | – | – | – | – | – | – |
| Amount written off (Note 28) | | | | | | | |
| At 30 June 2006 | **–** | **884** | **503** | **23** | **–** | **383** | **1,793** |
| At 30 June 2005 | 236 | 382 | 41 | 1,152 | – | – | 1,811 |

## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

* Properties consist of:

| Group | Freehold Land RM'000 | Buildings on Freehold Land RM'000 | Leasehold Land: Less Than 50 Years RM'000 | Leasehold Land: 50 Years or More RM'000 | Buildings on Leasehold Land: Less Than 50 Years RM'000 | Buildings on Leasehold Land: 50 Years or More RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Balance at 1 July 2005 | 98,940 | 431,947 | 9,558 | 105,425 | 110,126 | 465,543 | 1,221,539 |
| Acquisition of subsidiaries | 20,199 | 8,932 | – | 37,566 | – | 9,120 | 75,817 |
| Additions | 4,817 | 5,754 | – | – | – | 127 | 10,698 |
| Disposals | (6,213) | (14,076) | (409) | (278) | (343) | (890) | (22,209) |
| Write-offs | – | – | – | – | – | – | – |
| Transfers | – | – | – | – | – | – | – |
| Exchange differences | (385) | 925 | (1,308) | 3,194 | 565 | 4,857 | 7,848 |
| Balance at 30 June 2006 | **117,358** | **433,482** | **7,841** | **145,907** | **110,348** | **478,757** | **1,293,693** |
| Accumulated Depreciation and Impairment Losses | | | | | | | |
| Balance at 1 July 2005 | | | | | | | |
| Accumulated depreciation | – | 132,379 | 3,372 | 13,285 | 23,320 | 81,183 | 253,539 |
| Accumulated impairment losses | – | 4,004 | – | – | 93 | 74 | 4,171 |
| | – | 136,383 | 3,372 | 13,285 | 23,413 | 81,257 | 257,710 |
| Charge for the year | – | 8,195 | 188 | 3,326 | 2,902 | 7,891 | 22,502 |
| Acquisition of subsidiaries | – | 2,355 | – | 5,410 | – | 3,869 | 11,634 |
| Impairment losses | – | 209 | – | – | 229 | 673 | 1,111 |
| Disposals | – | (4,329) | (152) | (48) | (127) | (299) | (4,955) |
| Exchange differences | – | 87 | (50) | 183 | 3,141 | (2,169) | 1,192 |
| Balance at 30 June 2006 | **–** | **142,900** | **3,358** | **22,156** | **29,558** | **91,222** | **289,194** |
| Analysed as: | | | | | | | |
| Accumulated depreciation | – | 138,687 | 3,358 | 22,156 | 29,236 | 90,475 | 283,912 |
| Accumulated impairment losses | – | 4,213 | – | – | 322 | 747 | 5,282 |
| | – | 142,900 | 3,358 | 22,156 | 29,558 | 91,222 | 289,194 |
| Net Book Value | | | | | | | |
| At 30 June 2006 | **117,358** | **290,582** | **4,483** | **123,751** | **80,790** | **387,535** | **1,004,499** |
| At 30 June 2005 | 98,940 | 295,564 | 6,186 | 92,140 | 86,713 | 384,286 | 963,829 |
| Details at 1 July 2004 | | | | | | | |
| Cost | 103,938 | 430,172 | 10,052 | 105,668 | 109,795 | 454,552 | 1,214,177 |
| Accumulated depreciation | – | 124,486 | 3,245 | 14,374 | 22,380 | 68,796 | 233,281 |
| Accumulated impairment losses | – | 4,004 | – | – | 93 | 74 | 4,171 |
| Depreciation charge for 2005 | – | 8,174 | 301 | 1,139 | 1,807 | 10,806 | 22,227 |
| Impairment loss for 2005 | – | – | – | – | – | – | – |
| Amount written off | | | | | | | |
| At 30 June 2006 | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| At 30 June 2005 | – | – | – | – | – | 236 | 236 |

| Bank | *Properties RM'000 | Office Furniture, Fittings, Equipment and Renovations RM'000 | Computers and Peripherals RM'000 | Electrical and Security Equipment RM'000 | Motor Vehicles RM'000 | Buildings-in-Progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Balance at 1 July 2005 | 1,076,058 | 636,555 | 1,008,621 | 126,296 | 12,029 | 26,163 | 2,885,722 |
| Additions | 10,698 | 21,613 | 84,212 | 3,141 | 1,044 | 35,851 | 156,559 |
| Disposals | (15,429) | – | – | – | (562) | (6,068) | (22,059) |
| Write-offs | – | (31,754) | (51,220) | (1,825) | (826) | – | (85,625) |
| Transfers | – | 29,449 | – | 926 | – | (26,448) | 3,927 |
| Exchange differences | 7,823 | 1,073 | 2,412 | 153 | (31) | 13 | 11,443 |
| Balance at 30 June 2006 | **1,079,150** | **656,936** | **1,044,025** | **128,691** | **11,654** | **29,511** | **2,949,967** |

## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| Bank | *Properties RM'000 | Office Furniture, Fittings, Equipment and Renovations RM'000 | Computers and Peripherals RM'000 | Electrical and Security Equipment RM'000 | Motor Vehicles RM'000 | Buildings-in-Progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| Accumulated Depreciation | | | | | | | |
| Balance at 1 July 2005 | 230,098 | 507,756 | 844,344 | 104,474 | 10,124 | – | 1,696,796 |
| Charge for the year (Note 28) | 19,087 | 50,930 | 77,953 | 9,622 | 1,076 | – | 158,668 |
| Disposals | (3,896) | – | – | – | (562) | – | (4,458) |
| Write-offs | – | (30,910) | (50,680) | (1,802) | (826) | – | (84,218) |
| Exchange differences | 1,016 | 607 | 2,011 | 77 | (30) | – | 3,681 |
| Balance at 30 June 2006 | **246,305** | **528,383** | **873,628** | **112,371** | **9,782** | **–** | **1,770,469** |
| Net Book Value | | | | | | | |
| At 30 June 2006 | **832,845** | **128,553** | **170,397** | **16,320** | **1,872** | **29,511** | **1,179,498** |
| At 30 June 2005 | 845,960 | 128,799 | 164,277 | 21,822 | 1,905 | 26,163 | 1,188,926 |
| Details at 1 July 2004 | | | | | | | |
| Cost | 914,293 | 477,034 | 857,085 | 98,721 | 10,275 | 31,702 | 2,389,110 |
| Accumulated depreciation | 194,323 | 369,747 | 692,518 | 88,131 | 7,753 | – | 1,352,472 |
| Depreciation charge for 2005 (Note 28) | 18,952 | 52,007 | 82,763 | 6,357 | 1,034 | – | 161,113 |
| Amount written off (Note 28) | | | | | | | |
| At 30 June 2006 | **–** | **844** | **540** | **23** | **–** | **–** | **1,407** |
| At 30 June 2005 | 236 | 326 | 16 | 1,151 | – | – | 1,729 |

* Properties consist of:

| Bank | Freehold Land RM'000 | Buildings on Freehold Land RM'000 | Leasehold Land: Less Than 50 Years RM'000 | Leasehold Land: 50 Years or More RM'000 | Buildings on Leasehold Land: Less Than 50 Years RM'000 | Buildings on Leasehold Land: 50 Years or More RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Balance at 1 July 2005 | 95,782 | 395,164 | 9,412 | 96,531 | 65,114 | 414,055 | 1,076,058 |
| Additions | 4,817 | 5,754 | – | – | – | 127 | 10,698 |
| Disposals | (4,218) | (9,291) | (409) | (278) | (343) | (890) | (15,429) |
| Write-offs | – | – | – | – | – | – | – |
| Transfers | – | – | – | – | – | – | – |
| Exchange differences | (384) | 944 | (1,309) | 3,194 | 591 | 4,787 | 7,823 |
| Balance at 30 June 2006 | **95,997** | **392,571** | **7,694** | **99,447** | **65,362** | **418,079** | **1,079,150** |
| Accumulated Depreciation | | | | | | | |
| Balance at 1 July 2005 | – | 124,863 | 3,351 | 12,790 | 14,461 | 74,633 | 230,098 |
| Charge for the year | – | 7,771 | 178 | 3,041 | 1,339 | 6,758 | 19,087 |
| Disposals | – | (3,270) | (152) | (48) | (127) | (299) | (3,896) |
| Write-offs | – | – | – | – | – | – | – |
| Exchange differences | – | 69 | (51) | 184 | 3,022 | (2,208) | 1,016 |
| Balance at 30 June 2006 | **–** | **129,433** | **3,326** | **15,967** | **18,695** | **78,884** | **246,305** |
| Net Book Value | | | | | | | |
| At 30 June 2006 | **95,997** | **263,138** | **4,368** | **83,480** | **46,667** | **339,195** | **832,845** |
| At 30 June 2005 | 95,782 | 270,301 | 6,061 | 83,741 | 50,653 | 339,422 | 845,960 |
| Details at 1 July 2004 | | | | | | | |
| Cost | 70,996 | 357,890 | 8,165 | 74,955 | 57,467 | 344,820 | 914,293 |
| Accumulated depreciation | – | 109,626 | 2,693 | 12,119 | 13,293 | 56,592 | 194,323 |
| Depreciation charge for 2005 | – | 7,636 | 291 | 904 | 609 | 9,512 | 18,952 |
| Amount written off | | | | | | | |
| At 30 June 2006 | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| At 30 June 2005 | – | – | – | – | – | 236 | 236 |

## 14. DEPOSITS FROM CUSTOMERS

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| By type of deposit | | | | |
| Fixed deposits and negotiable instruments of deposits | | | | |
| – One year or less | **86,141,042** | 78,743,307 | **73,210,413** | 66,983,183 |
| – More than one year | **1,727,567** | 3,373,895 | **1,652,856** | 3,157,274 |
| | **87,868,609** | 82,117,202 | **74,863,269** | 70,140,457 |
| Savings deposits | **24,021,246** | 22,947,897 | **23,746,361** | 22,697,326 |
| Demand deposits | **24,310,544** | 26,002,946 | **26,510,229** | 25,437,930 |
| Structured deposits* | **17,577** | – | **17,577** | – |
| | **136,217,976** | 131,068,045 | **125,137,436** | 118,275,713 |

* Structured deposits represent foreign currency time deposits with embedded foreign exchange option.

The maturity structure of fixed deposits and negotiable instruments of deposits is as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Due within six months | **70,550,234** | 63,382,824 | **57,850,281** | 51,689,480 |
| Six months to one year | **15,590,808** | 15,360,483 | **15,360,132** | 15,293,703 |
| One year to three years | **1,108,705** | 2,827,416 | **1,087,048** | 2,815,195 |
| Three years to five years | **362,873** | 361,296 | **309,819** | 323,925 |
| After five years | **255,989** | 185,183 | **255,989** | 18,154 |
| | **87,868,609** | 82,117,202 | **74,863,269** | 70,140,457 |
| By type of customer | | | | |
| Business enterprises | **52,621,269** | 52,297,166 | **43,459,322** | 43,737,516 |
| Individuals | **69,438,413** | 63,788,782 | **68,952,814** | 63,411,919 |
| Government and statutory bodies | **7,050,900** | 8,147,680 | **6,774,985** | 5,064,055 |
| Others | **7,107,394** | 6,834,417 | **5,950,315** | 6,062,223 |
| | **136,217,976** | 131,068,045 | **125,137,436** | 118,275,713 |

## 15. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Licensed banks | **21,382,459** | 13,258,419 | **21,186,629** | 15,804,783 |
| Licensed finance companies | **544,973** | 303,427 | **544,973** | 54,113 |
| Licensed merchant banks | **606,775** | 9,998 | **606,775** | 9,998 |
| Other financial institutions | **6,173,368** | 4,789,338 | **5,699,485** | 4,005,300 |
| | **28,707,575** | 18,361,182 | **28,037,862** | 19,874,194 |

## 16. OTHER LIABILITIES

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Interest/profit payable | **845,150** | 726,507 | **823,098** | 710,358 |
| Provision for outstanding claims | **412,667** | 191,190 | **–** | – |
| Unearned premium reserves | **284,766** | 109,969 | **–** | – |
| Provision for commitments and contingencies | **–** | 7,208 | **–** | – |
| Profit equalisation reserves (IBS operations) | **144,111** | 250,839 | **141,828** | 238,604 |
| Provisions and accruals | **730,316** | 421,271 | **664,800** | 518,443 |
| Due to brokers and clients | **156,236** | 115,183 | **–** | – |
| Deposits and other creditors | **1,058,457** | 1,299,489 | **1,698,851** | 1,664,512 |
| Derivative liabilities (Notes 3(xxviii)(b) and 47(iii)) | **233,408** | 8,486 | **234,560** | 8,486 |
| | **3,865,111** | 3,130,142 | **3,563,137** | 3,140,403 |

Movements in provisions are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| For outstanding claims: | | | | |
| Balance at beginning of year | **191,190** | 193,866 | **–** | – |
| Acquisition of subsidiaries (Note 11(a)) | **246,217** | – | **–** | – |
| Utilised during the year | **(24,294)** | (4,070) | **–** | – |
| Exchange differences | **(446)** | 1,394 | **–** | – |
| Balance at end of year | **412,667** | 191,190 | **–** | – |

## 16. OTHER LIABILITIES (CONT'D.)

Movements in provisions are as follows: (Cont'd.)

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| For commitments and contingencies: | | | | |
| Balance at beginning of year | 7,208 | 991 | – | – |
| (Write back)/provision made during the year (Note 28) | (7,208) | 6,217 | – | – |
| Balance at end of year | – | 7,208 | – | – |

Included in deposits and other creditors of the Bank is an amount of RM868,892,000 (2005: RM866,881,000) due to Myfin Berhad, a subsidiary of the Bank, arising from the transfer of finance business from Myfin Berhad to the Bank in the previous financial year. The amount is unsecured, interest-free and has no fixed terms of repayment.

## 17. RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| At 1 July 2005/2004 | 4,990,773 | 6,532,046 | 4,990,773 | 2,711,118 |
| Transfer from the finance subsidiary | – | – | – | 3,611,553 |
| Amount sold during the year | 517,902 | 532,090 | 517,902 | 532,090 |
| Repayment forwarded | (1,781,217) | (2,073,363) | (1,781,217) | (1,863,988) |
| At 30 June 2006/2005 | 3,727,458 | 4,990,773 | 3,727,458 | 4,990,773 |

This relates to proceeds received from conventional housing loans and hire purchase loans sold directly to Cagamas Berhad with recourse to the Bank (the loan portfolio and the related recourse obligation on loans sold to Cagamas of its finance subsidiary were transferred to the Bank on 1 October 2004). Under the agreement, the Bank undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on pre-determined and agreed-upon prudential criteria.

## 18. PROVISION FOR TAXATION AND ZAKAT

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Taxation | 1,071,825 | 879,033 | 1,031,893 | 854,597 |
| Zakat | 2,577 | 1,172 | 2,417 | 917 |
| | 1,074,402 | 880,205 | 1,034,310 | 855,514 |

## 19. DEFERRED TAX

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| At 1 July 2005/2004 | (943,261) | (1,250,837) | (911,752) | (989,362) |
| Acquisition of subsidiaries (Note 11(a)) | (8,022) | – | – | – |
| Recognised in the income statement (net) (Note 32) | (31,178) | 198,573 | (38,898) | (32,190) |
| Recognised in equity (net) | (68,760) | – | (69,912) | – |
| Transfer (from)/to provision for taxation | (99,933) | 109,800 | (99,933) | 109,800 |
| Exchange differences | 168 | (797) | – | – |
| At 30 June 2006/2005 | (1,150,986) | (943,261) | (1,120,495) | (911,752) |
| Presented after appropriate offsetting as follows: | | | | |
| Deferred tax assets, net | (1,177,568) | (963,946) | (1,120,495) | (911,752) |
| Deferred tax liabilities, net | 26,582 | 20,685 | – | – |

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relates to the same fiscal authority.

## 19. DEFERRED TAX (CONT'D.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

### Deferred Tax Assets of the Group:

| | Loan Loss and Provisions and Interest/ Income Suspended RM'000 | Provision for Diminution in Value of Investments, Amortisation of Premiums and Unrealised Holding Reserve RM'000 | Provision for Liabilities RM'000 | Other Temporary Differences RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| At 1 July 2005 | (744,210) | (40,546) | (95,121) | (84,986) | (964,863) |
| Acquisition of subsidiaries | – | – | – | (8,022) | (8,022) |
| Recognised in the income statement | (77,651) | 1,480 | (14,837) | 43,389 | (47,619) |
| Recognised in equity | – | (8,016) | – | (74,615) | (82,631) |
| Transferred from provision for taxation | (99,933) | – | – | – | (99,933) |
| Exchange differences | – | – | – | 4 | 4 |
| At 30 June 2006 | (921,794) | (47,082) | (109,958) | (124,230) | (1,203,064) |

| | Loan Loss and Provisions and Interest/ Income Suspended RM'000 | Provision for Diminution in Value of Investments and Amortisation of Premiums RM'000 | Provision for Liabilities RM'000 | Other Temporary Differences RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| At 1 July 2004 | (998,029) | (148,910) | (88,935) | (57,917) | (1,293,791) |
| Recognised in the income statement | 253,819 | (1,436) | (6,186) | (26,253) | 219,944 |
| Transferred to provision for taxation | – | 109,800 | – | – | 109,800 |
| Exchange differences | – | – | – | (816) | (816) |
| At 30 June 2005 | (744,210) | (40,546) | (95,121) | (84,986) | (964,863) |

### Deferred Tax Liabilities of the Group:

| | Accelerated Capital Allowance RM'000 | Accretion of Discounts on Investments RM'000 | Other Temporary Differences RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 July 2005 | 3,354 | 1,097 | 17,151 | 21,602 |
| Recognised in the income statement | 24,553 | (8) | (8,104) | 16,441 |
| Recognised in equity | – | 10,190 | 3,681 | 13,871 |
| Exchange differences | (8) | (1) | 173 | 164 |
| At 30 June 2006 | 27,899 | 11,278 | 12,901 | 52,078 |
| At 1 July 2004 | 32,060 | 697 | 10,197 | 42,954 |
| Recognised in the income statement | (28,712) | 401 | 6,940 | (21,371) |
| Exchange differences | 6 | (1) | 14 | 19 |
| At 30 June 2005 | 3,354 | 1,097 | 17,151 | 21,602 |

### Deferred Tax Assets of the Bank:

| | Loan Loss and Allowances and Interest/ Income Suspended RM'000 | Provision for Diminution in Value of Investments, Amortisation of Premiums and Unrealised Holding Reserve RM'000 | Provision for Liabilities RM'000 | Other Temporary Differences RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| At 1 July 2005 | (726,901) | (28,920) | (91,230) | (59,785) | (906,836) |
| Recognised in income statement | (76,177) | – | (14,786) | 27,097 | (63,866) |
| Recognised in equity | – | (8,016) | – | (61,896) | (69,912) |
| Transfer from provision for taxation | (99,933) | – | – | – | (99,933) |
| At 30 June 2006 | (903,011) | (36,936) | (106,016) | (94,584) | (1,140,547) |

## 19. DEFERRED TAX (CONT'D.)

### Deferred Tax Assets of the Bank: (Cont'd.)

| | Loan Loss and Allowances and Interest/ Income Suspended RM'000 | Provision for Diminution in Value of Investments and Amortisation of Premiums RM'000 | Provision for Liabilities RM'000 | Other Temporary Differences RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| At 1 July 2004 | (769,111) | (131,405) | (73,347) | (37,607) | (1,011,470) |
| Recognised in income statement | 42,210 | (7,315) | (17,883) | (22,178) | (5,166) |
| Transfer to provision for taxation | – | 109,800 | – | – | 109,800 |
| At 30 June 2005 | (726,901) | (28,920) | (91,230) | (59,785) | (906,836) |

### Deferred Tax Liabilities of the Bank:

| | (Decelerated)/ Accelerated Capital Allowance RM'000 |
|---|---|
| At 1 July 2005 | (4,916) |
| Recognised in the income statement | 24,968 |
| At 30 June 2006 | 20,052 |
| At 1 July 2004 | 22,108 |
| Recognised in the income statement | (27,024) |
| At 30 June 2005 | (4,916) |

Deferred tax assets have not been recognised in respect of the following items:

| | Group | |
|---|---|---|
| | 2006 RM'000 | 2005 RM'000 |
| Unutilised tax losses | 42,054 | 65,340 |
| Unabsorbed capital allowances | 397 | 1,160 |
| Loan loss and provisions and interest suspended | 65,992 | 71,032 |
| Others | 11,237 | 18,498 |
| | 119,680 | 156,030 |

The unutilised tax losses and unabsorbed capital allowances are available for offset against future taxable profits of the respective subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of those items as they may not be used to offset taxable profits of other subsidiaries in the Group. They have arisen in subsidiaries that have past losses of which the deferred tax assets are recognised to the extent that future taxable profits will be available.

## 20. SUBORDINATED OBLIGATIONS

| | Note | Group and Bank | |
|---|---|---|---|
| | | 2006 RM'000 | 2005 RM'000 |
| USD250 million subordinated notes due in 2006 | (i) | – | 950,000 |
| RM610 million subordinated bonds due in 2011 | (ii) | – | 610,000 |
| USD380 million subordinated notes due in 2012 | (iii) | 1,396,880 | 1,444,000 |
| RM1,000 million subordinated Islamic bonds due in 2015 | (iv) | 1,000,000 | – |
| RM1,500 million subordinated Islamic bonds due in 2018 | (v) | 1,500,000 | – |
| | | 3,896,880 | 3,004,000 |

(i) On 27 September 1995, the Bank issued USD250 million nominal value Subordinated Notes through its New York Branch. The Notes bore interest of 7.125% per annum payable semi-annually in arrears in March and September each year. The Notes were redeemed in full by the Bank upon maturity in September 2005.

(ii) On 16 May 2001, the Bank issued RM610 million nominal value Subordinated Bonds with a fixed coupon rate of 5.65% per annum payable semi-annually in arrears in November and May each year, subject to the revision of interest explained below and are due in May 2011. The Bank may, subject to the prior consent of Bank Negara Malaysia, redeem the Bonds, in whole but not in part, any time on or after the 5th year from Issue Date at 100% of the principal amount together with accrued interest. Should the Bank decide not to exercise its call option on the first permissible call date, then the coupon rate will be stepped up to 6.65% per annum from the beginning of the 6th year to the final maturity date. The Bank exercised its call option on 16 May 2006 and the Bonds were redeemed in full.

## 20. SUBORDINATED OBLIGATIONS (CONT'D.)

(iii) On 6 June 2002, the Bank issued USD380 million nominal value Subordinated Notes with a fixed coupon rate of 6.125% per annum payable semi-annually in arrears in January and July each year, subject to the revision of interest explained below and are due in July 2012. The Bank may, subject to the prior consent of Bank Negara Malaysia, redeem the Notes, in whole but not in part, any time on or after the 5th year from issue date at 100% of the principal amount together with accrued interest. Should the Bank decide not to exercise its call option on the first permissible call date, then the coupon rate will be revised to an equivalent to 3.23% above the US Treasury Rate per annum from the beginning of the 6th year to the final maturity date.

(iv) On 24 November 2005, the Bank issued RM1.0 billion nominal value Islamic Subordinated Bonds under the Shariah principle of Bai' Bithaman Ajil. The Bonds are under a 10 non-callable 5 basis feature, with a profit rate of 4.48% per annum payable semi-annually in arrears in May and November each year, and are due in November 2015. Under the 10 non-callable 5 basis feature, the Bank has the option to redeem the Bonds on the 5th anniversary or any semi-annual date thereafter. Should the Bank decide not to exercise its option to redeem the Bonds, the holders of the Bonds will be entitled to an annual incremental step-up profit rate from the beginning of the 6th year to the final maturity date.

(v) On 15 May 2006, the Bank issued RM1.5 billion nominal value Islamic Subordinated Bonds under the Shariah principle of Bai' Bithaman Ajil. The Bonds are under a 12 non-callable 7 basis feature, with a profit rate of 5.0% per annum payable semi-annually in arrears in May and November each year, and are due in May 2018. Under the 12 non-callable 7 basis feature, the Bank has the option to redeem the Bonds on the 7th anniversary or any semi-annual date thereafter. Should the Bank decide not to exercise its option to redeem the Bonds, the holders of the Bonds will be entitled to a permissible step-up profit rate from the beginning of the 8th year to the final maturity date.

All the Notes and Bonds above constitute unsecured liabilities of the Bank and are subordinated to the senior indebtedness of the Bank in accordance with the respective terms and conditions of their issues and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

## 21. SHARE CAPITAL

| | Number of Ordinary Shares of RM1 Each | | Amount | |
|---|---|---|---|---|
| | 2006 '000 | 2005 '000 | 2006 RM'000 | 2005 RM'000 |
| **Authorised:** | | | | |
| At 1 July 2005/2004 | 10,000,000 | 4,000,000 | 10,000,000 | 4,000,000 |
| Created during the year | – | 6,000,000 | – | 6,000,000 |
| At 30 June 2006/2005 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| **Issued and fully paid:** | | | | |
| At 1 July 2005/2004 | 3,721,053 | 3,600,172 | 3,721,053 | 3,600,172 |
| Shares issued under the Maybank Group Employee Share Option Scheme | 75,894 | 120,881 | 75,894 | 120,881 |
| At 30 June 2006/2005 | 3,796,947 | 3,721,053 | 3,796,947 | 3,721,053 |

During the year, the Bank increased its issued and paid-up capital from RM3,721,052,721 to RM3,796,947,321 via issuance of 75,894,600 new ordinary shares of RM1 each for cash, to eligible persons who exercised their options under the current Maybank Group Employee Share Option Scheme (ESOS) which commenced on 26 August 2004, for a period of 5 years.

The terms of the current ESOS includes provision for the participation of non-executive directors. The maximum number of ordinary shares of RM1 each in the Bank available under the ESOS should not exceed 15% of the total number of issued and paid-up capital of the Bank at any point of time during the duration of the scheme. Other principal features of the ESOS are as follows:

(a) The employees eligible to participate in the ESOS must be employed and on the payroll of the Bank and its subsidiaries for a continuous period of at least twenty four (24) months including service during the probation period and is confirmed in service;

(b) The non-executive directors eligible to participate in the ESOS must have been a Non-Executive Director of the Group for a continuous period of at least twenty four (24) months;

(c) The entitlement under the ESOS for the Executive Directors and Non-Executive Directors, including any persons connected to the directors is subject to the approval of the shareholders of the Bank in a general meeting;

(d) The ESOS shall be in force for a period of five (5) years from its commencement and no further options under the scheme will be granted thereafter unless the shareholders of the Bank in a general meeting agree to continue with the ESOS for a further period of five (5) years with or without variations, and subject to the approvals of relevant authorities, provided that the duration of the ESOS including any extension, if any, shall not exceed a total period of ten (10) years from its commencement;

## 21. SHARE CAPITAL (CONT'D.)

(e) The new ordinary shares in the Bank allotted upon any exercise of options under the scheme will upon allotment, rank pari passu in all aspects with the then existing ordinary shares in the Bank, except that the new ordinary shares so issued will not rank for any dividends or other distribution declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares, and will be subject to all the provisions of the Article of Association of the Bank relating to transfer, transmission and otherwise; and

(f) The subscription price shall be at a discount, within the limit allowed by the relevant authorities from time to time and shall be decided by the ESOS Committee at its discretion, to the weighted average market price of the shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the date of offer, but shall in no event be less than the par value of the shares.

The terms of share options outstanding as at the end of the financial year are as follows:

| | | | Number of Share Options | | | | |
|---|---|---|---|---|---|---|---|
| Grant Date | Expiry Date | Exercise Price RM | At 1.7.2005 '000 | Granted '000 | Exercised '000 | Lapsed '000 | At 30.6.2006 '000 |
| 1.9.2004 | 25.8.2009 | 9.23 | 119,274 | – | (57,811) | (1,723) | 59,740 |
| 15.10.2004 | 25.8.2009 | 9.87 | 21,402 | – | (8,135) | (175) | 13,092 |
| 30.6.2005 | 25.8.2009 | 10.58 | – | 10 | (10) | – | – |
| 14.11.2005 | 25.8.2009 | 9.92 | – | 38,046 | (9,938) | (473) | 27,635 |
| | | | 140,676 | 38,056 | (75,894) | (2,371) | 100,467 |

Number of share options vested:

| | 2006 '000 | 2005 '000 |
|---|---|---|
| At 1 July | 190,129 | – |
| At 30 June | 275,737 | 190,129 |

Details of share options exercised during the financial year and the fair value, at exercise date, of ordinary shares issued are as follows:

| Exercise date | Exercise Price RM | Fair Values of Ordinary Shares RM | Number of Share Options '000 | Considerations Received RM'000 |
|---|---|---|---|---|
| 1.7.2005 to 30.6.2006 | 9.23 | 10.40 - 11.70 | 57,810 | 533,592 |
| 1.7.2005 to 30.6.2006 | 9.87 | 10.40 - 11.70 | 8,135 | 80,292 |
| 1.7.2005 to 30.6.2006 | 10.58 | 10.40 - 11.70 | 10 | 105 |
| 14.11.2005 to 30.6.2006 | 9.92 | 10.40 - 11.60 | 9,939 | 98,595 |
| | | | | 712,584 |
| Less: Par value of ordinary shares | | | | (75,894) |
| Share premium | | | | 636,690 |

## 22. RESERVES

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| **Non-distributable:** | | | | |
| Share premium | 2,137,807 | 1,501,117 | 2,137,807 | 1,501,117 |
| Statutory reserves | 3,973,917 | 3,965,468 | 3,871,493 | 3,871,038 |
| Capital reserve | 15,250 | 15,250 | – | – |
| Unrealised holding reserves | (27,479) | – | (21,206) | – |
| Exchange fluctuation reserve | 58,136 | 49,238 | 112,690 | 89,419 |
| | 6,157,631 | 5,531,073 | 6,100,784 | 5,461,574 |
| **Distributable:** | | | | |
| Retained profits (Note 23) | 6,811,248 | 7,149,183 | 5,376,363 | 5,996,652 |
| Total reserves | 12,968,879 | 12,680,256 | 11,477,147 | 11,458,226 |

The statutory reserves are maintained in compliance with the requirements of Bank Negara Malaysia and certain Central Banks of the respective countries in which the Group and the Bank operate and are not distributable as cash dividends.

The capital reserve of the Group arose from the capitalisation of bonus issue in certain subsidiaries in previous years.

## 23. RETAINED PROFITS

The Bank has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of its entire retained profits as at 30 June 2006.

## 24. OPERATING REVENUE

Operating revenue of the Group comprises all types of revenue derived from the businesses of banking, finance, general and life insurance (including takaful), stock broking, discount house, leasing and factoring, trustee and nominee services, unit trust fund management, asset management and venture capital but excluding all transactions between related companies.

Operating revenue of the Bank comprises gross interest income (after adding back net interest/income suspended), fee and commission income, investment income, gross dividends, income from Islamic Banking Scheme operations and other income derived from banking and finance operations.

## 25. INTEREST INCOME

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Loans, advances and financing | | | | |
| – Interest income other than recoveries from NPL | 5,960,479 | 5,484,661 | 5,722,721 | 4,960,367 |
| – Recoveries from NPL | 348,393 | 453,597 | 339,048 | 402,976 |
| Money at call and deposit placements with financial institutions | 1,167,792 | 917,236 | 1,030,994 | 829,131 |
| Securities purchased under resale agreements | 22,512 | 51,941 | 22,512 | 51,941 |
| Securities held-for-trading | 189,932 | – | 171,640 | – |
| Securities available-for-sale | 1,083,778 | – | 914,664 | – |
| Securities held-to-maturity | 119,832 | – | 39,088 | – |
| Dealing securities | – | 105,447 | – | 78,490 |
| Investment securities | – | 979,578 | – | 766,132 |
| Others | – | 19,599 | – | – |
| | 8,892,718 | 8,012,059 | 8,240,667 | 7,089,037 |
| Amortisation of premiums less accretion of discounts | (59,091) | (69,238) | (58,200) | (74,457) |
| Net interest/income clawed back/suspended* | (62,329) | (378,364) | (62,183) | (338,699) |
| | 8,771,298 | 7,564,457 | 8,120,284 | 6,675,881 |

* Current year's figures comprise interest/income accrued on non-performing accounts which has not been received and is reversed out of income. The interest/income on these accounts is recognised on a cash basis thereafter in accordance with revised BNM/GP8 as explained in Note 3(ii)(c).

## 26. INTEREST EXPENSE

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Deposits and placements of banks and other financial institutions | 1,115,669 | 449,256 | 865,039 | 442,812 |
| Deposits from other customers | 2,808,991 | 2,460,107 | 2,662,654 | 2,091,410 |
| Loans sold to Cagamas | 179,714 | 250,064 | 179,714 | 209,296 |
| Floating rate certificates of deposits | 9,742 | 2,708 | 9,742 | 2,708 |
| Subordinated notes | 101,331 | 84,230 | 101,331 | 84,230 |
| Subordinated bonds | 30,122 | 34,465 | 30,122 | 34,465 |
| Others | 778 | 23,893 | 79 | 3,342 |
| | 4,246,347 | 3,304,723 | 3,848,681 | 2,868,263 |

## 27. NON-INTEREST INCOME

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| **Fee income:** | | | | |
| Commission | 503,534 | 471,789 | 532,479 | 496,098 |
| Service charges and fees | 521,062 | 488,460 | 454,463 | 404,152 |
| Guarantee fees | 84,537 | 81,575 | 84,068 | 79,101 |
| Underwriting fees | 3,280 | 7,954 | 696 | 531 |
| Brokerage income | 46,931 | 65,664 | – | – |
| Other fee income | 35,775 | 42,488 | 21,298 | 28,419 |
| | 1,195,119 | 1,157,930 | 1,093,004 | 1,008,301 |
| **Investment income:** | | | | |
| Net loss from sale of held-for-trading securities | (10,069) | – | (15,989) | – |
| Net gain from sale of available-for-sale securities | 245,161 | – | 177,457 | – |
| Net loss from sale of held-to-maturity securities | (30) | – | – | – |
| Net gain/(loss) from sale of dealing securities | – | 36,189 | – | (175) |
| Net gain on disposal of investment securities | – | 244,448 | – | 213,027 |
| | 235,062 | 280,637 | 161,468 | 212,852 |

## 27. NON-INTEREST INCOME (CONT'D.)

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| **Gross dividends from:** | | | | |
| Securities held-for-trading | | | | |
| – Quoted in Malaysia | 26 | – | – | – |
| Securities available-for-sale | | | | |
| – Quoted outside Malaysia | 721 | – | – | – |
| – Quoted in Malaysia | 17,205 | – | 6,597 | – |
| – Unquoted outside Malaysia | 812 | – | 48 | – |
| – Unquoted in Malaysia | 4,988 | – | 4,823 | – |
| Securities held-to-maturity | | | | |
| – Unquoted in Malaysia | 829 | – | – | – |
| Investment securities | | | | |
| – Quoted outside Malaysia | – | 874 | – | – |
| – Quoted in Malaysia | – | 14,382 | – | 10,715 |
| – Unquoted outside Malaysia | – | 183 | – | 183 |
| – Unquoted in Malaysia | – | 3,023 | – | 2,665 |
| Subsidiaries in Malaysia | – | – | 80,711 | 2,929,037 |
| | 24,581 | 18,462 | 92,179 | 2,942,600 |
| Unrealised gains on revaluation of securities held-for-trading and derivatives | 284,896 | – | 298,107 | – |
| (Provision for)/write back of impairment losses in securities, net | (10,315) | – | 16,348 | – |
| Write back of provision for diminution in value of investment securities, net | – | 56,100 | – | 76,851 |
| | 274,581 | 56,100 | 314,455 | 76,851 |
| **Other income:** | | | | |
| Foreign exchange profit | | | | |
| – Realised | 328,854 | 288,487 | 309,961 | 282,544 |
| – Unrealised | 58,563 | 7,044 | 58,539 | 7,044 |
| Net premiums written | 360,470 | 240,209 | – | – |
| Rental income | 16,500 | 8,508 | 15,432 | 12,347 |
| Gain on disposal of property, plant and equipment | 21,301 | 10,923 | 20,031 | 8,569 |
| Gain on disposal of foreclosed properties | 15,931 | 475 | 14,905 | – |
| Other operating income | 51,869 | 30,987 | 54,245 | 31,528 |
| Other non-operating income | 142,342 | 59,387 | 40,816 | 19,507 |
| (Loss)/gain from disposal of associated company | (5,901) | – | 4,320 | – |
| | 989,929 | 646,020 | 518,249 | 361,539 |
| | 2,719,272 | 2,159,149 | 2,179,355 | 4,602,143 |

Prior year comparative figures have not been restated in accordance with the newly adopted accounting policies for the reasons explained in Note 3(ii).

## 28. OVERHEAD EXPENSES

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Personnel expenses | | | | |
| – Salaries, allowances and bonuses | 1,191,605 | 1,066,921 | 1,097,198 | 966,916 |
| – Social security cost | 10,342 | 8,444 | 9,766 | 6,981 |
| – Pension costs – Defined contribution plan | 173,930 | 154,991 | 161,782 | 141,105 |
| – Other staff related expenses | 174,844 | 126,463 | 149,860 | 102,410 |
| Sub-total | 1,550,721 | 1,356,819 | 1,418,606 | 1,217,412 |
| Establishment costs | | | | |
| – Depreciation of property plant and equipment (Note 13) | 181,722 | 184,674 | 158,668 | 161,113 |
| – Rental of leasehold land and premises | 62,498 | 70,349 | 59,423 | 60,550 |
| – Repairs and maintenance of property, plant and equipment | 71,279 | 65,746 | 61,529 | 57,874 |
| – Information technology expenses | 252,339 | 237,915 | 242,113 | 227,128 |
| – Others | 16,616 | 28,531 | 9,284 | 10,196 |
| Sub-total | 584,454 | 587,215 | 531,017 | 516,861 |
| Marketing costs | | | | |
| – Advertisement and publicity | 208,164 | 143,961 | 172,571 | 111,680 |
| – Others | 47,615 | 50,563 | 44,561 | 44,930 |
| Sub-total | 255,779 | 194,524 | 217,132 | 156,610 |
| Administration and general expenses | | | | |
| – Fees and brokerage | 278,640 | 251,185 | 271,641 | 237,566 |
| – Administrative expenses | 224,504 | 179,606 | 195,984 | 152,447 |
| – General expenses | 141,999 | 108,224 | 136,321 | 109,404 |
| – Claims incurred | 167,329 | 96,642 | – | – |
| – Others | 13,645 | 36,729 | 12,398 | 33,756 |
| Sub-total | 826,117 | 672,386 | 616,344 | 533,173 |
| Total | 3,217,071 | 2,810,944 | 2,783,099 | 2,424,056 |
| Included in overhead expenses are: | | | | |
| Directors' fees and remuneration (Note 29) | 11,845 | 10,772 | 6,166 | 5,366 |
| Hire of equipment | 5,570 | 6,292 | 4,089 | 4,617 |
| Lease of equipment, net of reversal of overprovision in prior year | (83) | (66) | (39) | (76) |
| Auditors' remuneration: | | | | |
| Audit fees: | | | | |
| – Malaysia | 2,030 | 2,030 | 1,410 | 1,410 |
| – Overseas | 1,896 | 1,941 | 1,431 | 1,508 |
| Other services | 459 | 494 | 245 | 317 |
| Loss on disposal of property, plant and equipment | 90 | 92 | – | – |
| Property, plant and equipment written off (Note 13) | 1,793 | 1,811 | 1,407 | 1,729 |
| (Write back)/provision for commitments and contingencies (Note 16) | (7,208) | 6,217 | – | – |

## 29. DIRECTORS' FEES AND REMUNERATION

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Directors of the Bank: | | | | |
| **Executive directors:** | | | | |
| Salary and other remuneration, including meeting allowances | 2,053 | 1,917 | 1,819 | 1,722 |
| Bonuses | 1,715 | 1,717 | 1,715 | 1,717 |
| Pension cost – Defined contribution plan | 632 | 605 | 632 | 605 |
| Benefits-in-kind | 196 | 226 | 195 | 226 |
| Fees | – | – | – | – |
| | 4,596 | 4,465 | 4,361 | 4,270 |
| **Non-executive directors:** | | | | |
| Fees | 1,841 | 1,106 | 1,262 | 735 |
| Pension cost – Defined contribution plan | 59 | 59 | 59 | 59 |
| Other remuneration | 893 | 748 | 679 | 528 |
| Benefits-in-kind | 54 | 59 | 54 | 59 |
| | 2,847 | 1,972 | 2,054 | 1,381 |
| Directors of the Subsidiaries: | | | | |
| **Executive directors:** | | | | |
| Salary and other remuneration, including meeting allowance | 2,528 | 2,744 | – | – |
| Bonuses | 762 | 1,069 | – | – |
| Pension cost – defined contribution plan | 344 | 273 | – | – |
| Benefits-in-kind | 412 | 905 | – | – |
| | 4,046 | 4,991 | – | – |
| **Non-executive directors:** | | | | |
| Fees | 708 | 358 | – | – |
| Other remuneration | 310 | 176 | – | – |
| | 1,018 | 534 | – | – |
| Total | 12,507 | 11,962 | 6,415 | 5,651 |
| Total (excluding benefits-in-kind) | 11,845 | 10,772 | 6,166 | 5,366 |

## 29. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

The remuneration attributable to the President/Chief Executive Officer of the Bank including benefits-in-kind during the year amounted to RM2,116,472 (2005: RM1,784,116).

The total directors' fees and remuneration of the Group above has excluded the amount of RM681,073 (2005: RM716,350) which has been allocated to the life, general takaful and family takaful funds.

| | Group | |
|---|---|---|
| | 2006 | 2005 |
| Number of directors of the Bank whose remuneration falls into the following bands: | | |
| Number of executive directors: | | |
| RM2,100,001 to RM2,150,000 | 1 | – |
| RM1,750,001 to RM1,800,000 | – | 1 |
| RM1,300,001 to RM1,350,000 | 1 | – |
| RM1,250,001 to RM1,300,000 | – | 1 |
| RM1,100,001 to RM1,150,000 | 1 | – |
| RM700,001 to RM750,000 | – | 1 |
| RM650,001 to RM700,000 | – | 1 |
| | 3 | 4 |
| Number of non-executive directors: | | |
| RM650,001 to RM700,000 | 1 | – |
| RM600,001 to RM650,000 | – | 1 |
| RM300,001 to RM350,000 | 1 | – |
| RM250,000 to RM300,000 | 4 | – |
| RM200,001 to RM250,000 | 2 | 4 |
| RM150,001 to RM200,000 | 1 | 2 |
| RM100,001 to RM150,000 | – | – |
| RM50,001 to RM100,000 | – | 1 |
| | 9 | 8 |
| | 12 | 12 |

The directors of the Group and Bank have been granted the following number of options under the ESOS:

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | Exercise Price | 2006 '000 | 2005 '000 | 2006 '000 | 2005 '000 |
| Executive | | | | | |
| At 1 July 2005/2004 | | 1,965 | – | 1,306 | – |
| Granted | 9.23 | – | 2,020 | – | 1,300 |
| | 9.87 | – | 305 | – | 208 |
| | 9.92 | 375 | – | 280 | – |
| Exercised | 9.23 | (825) | (338) | (360) | (200) |
| | 9.87 | (55) | (22) | (6) | (2) |
| | 9.92 | (44) | – | (24) | – |
| At 30 June 2006/2005 | | 1,416 | 1,965 | 1,196 | 1,306 |
| Non-executive | | | | | |
| At 1 July 2005/2004 | | 5,172 | – | 1,958 | – |
| Granted | 9.23 | – | 5,622 | – | 2,230 |
| | 9.87 | 19 | 367 | – | – |
| | 9.92 | 885 | – | 455 | – |
| Exercised | 9.23 | (3,094) | (763) | (918) | (272) |
| | 9.87 | (258) | (54) | – | – |
| | 9.92 | (103) | – | (19) | – |
| At 30 June 2006/2005 | | 2,621 | 5,172 | 1,476 | 1,958 |

The share options are granted on the same terms and conditions as those offered to other employees of the Group (Note 21).

Md Agil Mohd Natt, a former director of the Bank, was granted options for 80,000 ordinary shares of RM1 each under the ESOS at the exercise price of RM9.92 per share during the financial year prior to his resignation. As of the date of his resignation on 30 June 2006, a total of 136,000 option shares continue to be available for him to exercise up to the expiry date of the ESOS on 25 August 2009.

## 30. ALLOWANCES FOR LOSSES ON LOAN, ADVANCES AND FINANCING

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Allowance for bad and doubtful debts and financing: | | | | |
| – Specific: | | | | |
| Made in the year | 2,203,167 | 2,641,324 | 2,121,737 | 2,124,527 |
| Written back | (640,065) | (707,911) | (557,170) | (430,957) |
| Net | 1,563,102 | 1,933,413 | 1,564,567 | 1,693,570 |
| – General | (407,167) | (810,621) | (345,278) | (88,753) |
| Bad debts and financing: | | | | |
| – Written off | 8,190 | 15,197 | 3,110 | 11,443 |
| – Recovered | (283,657) | (360,244) | (275,601) | (310,536) |
| | 880,468 | 777,745 | 946,798 | 1,305,724 |
| Written back on recoveries of amounts receivable from Danaharta | (1,166) | (1,765) | – | (6,128) |
| Allowance/(write back) for other debts | 4,103 | 47,834 | – | (3,365) |
| | 883,405 | 823,814 | 946,798 | 1,296,231 |

## 31. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The Bank's significant transactions and balances with related parties are as follows:

| | Bank | |
|---|---|---|
| | 2006 RM'000 | 2005 RM'000 |
| Transactions with subsidiaries and associates: | | |
| **Income:** | | |
| Interest on deposits | 79,752 | 57,545 |
| Interest on loans and advances | 13,455 | 6,544 |
| Dividend income | 80,711 | 2,929,037 |
| Rental of premises | 2,572 | 3,825 |
| Other income | 67,703 | 49,413 |
| | 244,193 | 3,046,364 |
| **Expenditure:** | | |
| Interest on deposits | 90,144 | 25,064 |
| Other expenses | 24,872 | 21,445 |
| Subscription fee paid to an associate | – | 875 |
| | 115,016 | 47,384 |
| **Other transactions:** | | |
| Acquisition of unquoted private debt securities with face value of RM1,377,413,000 (2005: RM569,233,000) from a subsidiary | 1,375,000 | 581,109 |

Included in the balance sheet of the Bank are amounts due from/(to) subsidiaries and an associate represented by the following:

| | Bank | |
|---|---|---|
| | 2006 RM'000 | 2005 RM'000 |
| **Amounts due from subsidiaries:** | | |
| Current accounts and deposits | 1,866,582 | 3,172,136 |
| Loans, advances and financing | – | 460,295 |
| Interest and other receivable on deposits | 120,971 | 119,107 |
| | 1,987,553 | 3,751,538 |
| **Amounts due to subsidiaries:** | | |
| Current accounts and deposits | 2,660,127 | 3,401,158 |
| Interest payable on deposits | 9,258 | 5,451 |
| Deposits and other creditors | 1,247,858 | 1,151,452 |
| | 3,917,243 | 4,558,061 |
| Deposits by an associate | 15,750 | 15,750 |

## 32. TAXATION AND ZAKAT

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Tax expense for the year: | | | | |
| Malaysian income tax | 1,137,927 | 805,747 | 1,085,534 | 1,534,722 |
| Foreign tax | 94,712 | 67,166 | 88,241 | 59,848 |
| Less: Double taxation relief | (80,391) | (55,332) | (79,704) | (54,645) |
| | 1,152,248 | 817,581 | 1,094,071 | 1,539,925 |
| Under/(over) provision in respect of prior years: | | | | |
| Malaysian income tax | 42,131 | (67,104) | – | – |
| | 1,194,379 | 750,477 | 1,094,071 | 1,539,925 |
| Deferred tax (Note 19): | | | | |
| Relating to originating and reversal of temporary differences (net) | (62,350) | 190,536 | (69,680) | (30,531) |
| Under/(over) provision in prior years | 31,172 | 8,037 | 30,782 | (1,659) |
| | (31,178) | 198,573 | (38,898) | (32,190) |
| Share of tax in associates | 7 | 255 | – | – |
| | 1,163,208 | 949,305 | 1,055,173 | 1,507,735 |
| Zakat | 1,635 | 942 | 1,500 | 855 |
| | 1,164,843 | 950,247 | 1,056,673 | 1,508,590 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank is as follows:

| | 2006 RM'000 | 2005 RM'000 |
|---|---|---|
| **Group** | | |
| Profit before taxation | 4,030,607 | 3,494,492 |
| Taxation at Malaysian statutory tax rate of 28% (2005: 28%) | 1,128,570 | 978,458 |
| Effect of different tax rates in other tax jurisdictions | (34,858) | (9,642) |
| Effect of income not subject to tax | (41,193) | (15,871) |
| Effect of expenses not deductible for tax purposes | 28,200 | 58,342 |
| Effect of utilisation of previously unrecognised tax losses and capital allowances | (691) | (5,805) |
| Deferred tax assets not recognised during the year | 9,876 | 2,890 |
| Under provision in deferred tax in prior years | 31,173 | 8,037 |
| Under/(over) provision in prior years | 42,131 | (67,104) |
| Tax expense for the year | 1,163,208 | 949,305 |
| **Bank** | | |
| Profit before taxation | 3,576,871 | 5,318,233 |
| Taxation at Malaysian statutory tax rate of 28% (2005: 28%) | 1,001,524 | 1,489,105 |
| Effect of different tax rates in other countries | 8,573 | 5,203 |
| Effect of income not subject to tax | (8,131) | (5,394) |
| Effect of expenses not deductible for tax purposes | 22,425 | 20,480 |
| Under/(over) provision in deferred tax in prior years | 30,782 | (1,659) |
| Tax expense for the year | 1,055,173 | 1,507,735 |

| | Group | |
|---|---|---|
| | 2006 RM'000 | 2005 RM'000 |
| Tax savings recognised during the year arising from: | | |
| Utilisation of previously unrecognised tax losses | 12,366 | 5,766 |
| Utilisation of current year absorbed capital allowance | 3,922 | 3,922 |
| Utilisation of unabsorbed capital allowances previously not recognised | 706 | 39 |

## 33. EARNINGS PER SHARE (EPS)

**(a) Basic**

The basic and diluted EPS of the Group and the Bank are calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Net profit for the year (RM'000) | 2,803,598 | 2,502,526 | 2,520,198 | 3,809,643 |
| Weighted average number of ordinary shares in issue ('000) | 3,768,213 | 3,658,248 | 3,768,213 | 3,658,248 |
| Basic EPS (sen) | 74.4 | 68.4 | 66.9 | 104.1 |

**(b) Diluted**

The diluted EPS of the Group is calculated by dividing the net profit for the financial year by the weighted-average number of ordinary shares in issue, which has been adjusted for the number of shares that could have been issued under the ESOS.

In the diluted EPS calculation, it was assumed that the share options were exercised into ordinary shares. A calculation is done to determine the number of shares that could have been issued at fair value (determined as the average price of the Bank's shares during the financial year) based on the monetary value of the subscription rights attached to the outstanding share options. This calculation serves to determine the number of dilutive shares to be added to the weighted-average ordinary shares in issue for the purpose of computing the dilution. No adjustment was made to the net profit for the financial year.

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Net profit for the year (RM'000) | 2,803,598 | 2,502,526 | 2,520,198 | 3,809,643 |
| Weighted average number of ordinary shares in issue ('000) | 3,768,213 | 3,658,248 | 3,768,213 | 3,658,248 |
| Effect of dilution: | | | | |
| Assumed share options exercised | 14,607 | 24,763 | 14,607 | 24,763 |
| Adjusted weighted-average number of ordinary shares in issue and issuable | 3,782,820 | 3,683,011 | 3,782,820 | 3,683,011 |
| Fully diluted EPS (sen) | 74.1 | 67.9 | 66.6 | 103.4 |

## 34. DIVIDENDS

| | Group and Bank | | Net dividend per Share | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 Sen | 2005 Sen |
| Interim dividend of 50% (2005: 25%) less 28% taxation | 1,361,265 | 667,089 | 36.0 | 18.0 |
| Special dividend of 10% less 28% taxation | – | 266,836 | – | 7.2 |
| Special tax exempt dividend of 7.5% | – | 277,954 | – | 7.5 |
| Final dividend of 25% less 28% taxation and special dividend of 35% less 28% taxation in respect of the year ended 30 June 2005 | 1,622,462 | – | 43.2 | – |
| Final dividend of 25% less 28% taxation in respect of the year ended 30 June 2004 | – | 648,433 | – | 18.0 |
| | 2,983,727 | 1,860,312 | 79.2 | 50.7 |

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 30 June 2006 of 35% less 28% taxation on 3,796,947,321 ordinary shares, amounting to a dividend payable of RM956,830,725 (25.2 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the next financial year ending 30 June 2007.

## 35. COMMITMENTS AND CONTINGENCIES

(a) In the normal course of business, the Bank and its subsidiaries make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The risk-weighted exposures of the Bank and its subsidiaries as at 30 June, are as follows:

| | 2006 | | | 2005 | | |
|---|---|---|---|---|---|---|
| | Notional Amount RM'000 | Credit Equivalent Amount* RM'000 | Risk Weighted Amount* RM'000 | Notional Amount RM'000 | Credit Equivalent Amount* RM'000 | Risk Weighted Amount* RM'000 |
| **Group** | | | | | | |
| Direct credit substitutes | 5,719,998 | 5,719,998 | 5,397,695 | 5,320,687 | 5,320,687 | 5,148,704 |
| Certain transaction-related contingent items | 6,367,217 | 3,183,608 | 3,128,665 | 5,975,347 | 2,987,673 | 2,810,889 |
| Short-term self-liquidating trade-related contingencies | 7,707,012 | 1,541,403 | 843,044 | 8,027,254 | 1,605,451 | 475,399 |
| Islamic housing and hire purchase loans sold to Cagamas Berhad | 1,575,756 | 1,575,756 | 1,351,664 | 747,516 | 747,516 | 508,866 |
| Obligations under underwriting agreements | 742,550 | 371,275 | 371,275 | 393,537 | 196,769 | 196,769 |
| Irrevocable commitments to extend credit: | | | | | | |
| – maturity within one year | 49,755,601 | – | – | 39,382,518 | – | – |
| – maturity exceeding one year | 5,984,817 | 2,992,409 | 1,803,568 | 5,349,646 | 2,674,823 | 1,939,408 |
| Foreign exchange related contracts: | | | | | | |
| – less than one year | 26,879,050 | 249,199 | 129,920 | 25,495,197 | 239,934 | 90,393 |
| – one year to less than five years | 59,036 | 492 | 257 | 219,892 | 10,803 | – |
| – five years and above | – | – | – | 7,461 | – | – |
| Interest rate related contracts: | | | | | | |
| – less than one year | 13,096,416 | 141,387 | 40,039 | 6,856,875 | 97,558 | 14,825 |
| – one year to less than five years | 8,519,746 | 363,913 | 102,824 | 7,156,136 | 296,026 | 51,438 |
| – five years and above | 1,709,211 | 137,204 | 38,180 | 2,266,263 | 232,562 | 36,429 |
| Miscellaneous | 2,267,033 | – | – | 2,253,492 | – | – |
| | 130,383,443 | 16,276,644 | 13,207,131 | 109,451,821 | 14,409,802 | 11,273,120 |
| **Bank** | | | | | | |
| Direct credit substitutes | 4,862,567 | 4,862,567 | 4,694,976 | 4,486,618 | 4,486,618 | 4,430,077 |
| Certain transaction-related contingent items | 6,343,749 | 3,171,874 | 3,115,506 | 5,965,051 | 2,982,526 | 2,808,122 |
| Short-term self-liquidating trade-related contingencies | 7,677,606 | 1,535,521 | 842,675 | 8,006,585 | 1,601,317 | 475,177 |
| Islamic housing and hire purchase loans sold to Cagamas Berhad | 1,575,756 | 1,575,756 | 1,351,664 | 747,516 | 747,516 | 508,866 |
| Obligations under underwriting agreements | 273,550 | 136,775 | 136,775 | 262,429 | 131,215 | 131,215 |
| Irrevocable commitments to extend credit: | | | | | | |
| – maturity within one year | 49,703,408 | – | – | 39,030,173 | – | – |
| – maturity exceeding one year | 5,933,909 | 2,966,955 | 1,778,112 | 5,318,584 | 2,659,292 | 1,923,877 |
| Foreign exchange related contracts: | | | | | | |
| – less than one year | 26,718,442 | 247,240 | 128,939 | 25,495,197 | 239,934 | 90,393 |
| – one year to less than five years | 59,036 | 492 | 257 | 208,960 | 10,803 | – |

## 35. COMMITMENTS AND CONTINGENCIES (CONT'D.)

| | 2006 | | | 2005 | | |
|---|---|---|---|---|---|---|
| | Notional Amount RM'000 | Credit Equivalent Amount* RM'000 | Risk Weighted Amount* RM'000 | Notional Amount RM'000 | Credit Equivalent Amount* RM'000 | Risk Weighted Amount* RM'000 |
| **Bank** | | | | | | |
| Interest rate related contracts: | | | | | | |
| – less than one year | 12,900,804 | 136,741 | 37,566 | 6,586,077 | 94,520 | 14,597 |
| – one year to less than five years | 8,303,651 | 359,383 | 98,730 | 7,027,515 | 293,750 | 45,364 |
| – five years and above | 1,688,163 | 136,152 | 37,404 | 2,235,793 | 230,391 | 35,579 |
| Miscellaneous | 2,255,475 | – | – | 2,245,253 | – | – |
| | 128,296,116 | 15,129,456 | 12,222,604 | 107,615,751 | 13,477,882 | 10,463,267 |

* The credit equivalent amount and the risk weighted amount are arrived at using the credit conversion factors and risk weights, respectively as specified by Bank Negara Malaysia.

The Bank is contingently liable in respect of Islamic housing and hire purchase loans sold to Cagamas Berhad on the condition that they undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on pre-determined and agreed-upon prudential criteria.

Foreign exchange and interest rate related contracts are subject to market risk and credit risk. Principal amounts of the foreign exchange related contracts and interest rate related contracts are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Foreign exchange related contracts: | | | | |
| – Forward contracts | 7,675,369 | 7,270,672 | 7,675,369 | 7,085,485 |
| – Swaps | 19,151,437 | 18,266,691 | 18,990,829 | 18,433,485 |
| – Options | 111,280 | 185,187 | 111,280 | 185,187 |
| Interest rate related contracts: | | | | |
| – Futures contracts | – | 32,000 | – | 32,000 |
| – Swaps | 23,325,373 | 16,247,274 | 22,892,618 | 15,817,385 |
| | 50,263,459 | 42,001,824 | 49,670,096 | 41,553,542 |

**Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions.

**Credit risk**

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank and certain subsidiaries have a gain position. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

As at 30 June, the amounts of market risk and credit risk are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| **Market risk:** | | | | |
| Amount of contracts which were not hedged and hence, exposed to market risk | 68,784 | 119,440 | 68,784 | 119,440 |
| **Credit risk:** | | | | |
| Amount of credit risk, measured in terms of cost to replace the profitable contracts | 160,564 | 68,740 | 160,564 | 68,740 |

## 35. COMMITMENTS AND CONTINGENCIES (CONT'D.)

(b) Contingent liability

During the financial year, a subsidiary, Mayban Trustee Berhad ("MTB") and eleven other defendants were served with a writ of summons by ten bondholders for an amount of approximately RM157.8 million. MTB was alleged to have acted in breach of trust and negligence in its capacity as Trustee for the bonds issued. The legal suit is pending court hearing and the liability amount, if any, is subject to the court's decision.

The contingent liability is covered by an existing Banker Blanket Bond Policy between the Bank and a subsidiary, Mayban General Assurance Berhad ("MGAB"), which had entered into a facultative reinsurance contract for an insured sum of RM150 million with three other re-insurers.

No provision is made in the Group's financial statements.

## 36. FINANCIAL RISK MANAGEMENT POLICIES

Risk Management is a critical pillar of the Group's operating model, complementing the other two pillars, which are customer sector and support and services sector. As part of the Group's strategy to integrate the management and control of risks across the various risk segments, a dedicated Board committee known as the Risk Management Committee was established. The Committee is responsible for formulating policies and the oversight of the key risks faced by the Group including credit, market, liquidity and operational risks with the objective of containing the negative impact to the Group's earnings should losses arise from exposures to these risks.

The broad principles that underpin the risk management process at the Group are as follows:

(a) The risk management approach is premised on three lines of defence – Risk Taking Units, Risk Control Units which are under Group Risk Management, and Internal Audit.

(b) The Risk Taking Units are responsible for the day-to-day management of risks inherent in their business activities while the Risk Control Units are responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring, control and pricing of risks. Complementing this is Internal Audit which provides independent assurance of the effectiveness of the risk management approach.

(c) Group Risk Management provides risk oversight for the major risk categories including credit risk, market risk, liquidity risk, operational risk and other industry-specific risks.

(d) Group Risk Management ensures that core policies of the Group are consistent, sets the risk tolerance level and facilitates the implementation of an integrated risk-adjusted measurement framework.

(e) Group Risk Management is functionally and organisationally independent of the customer sectors and other risk takers in the Group.

(f) The Board of Directors through the Risk Management Committee maintains overall responsibility for risk oversight within the Group.

(g) Group Risk Management is responsible for the execution of various risk policies and related decisions of the Board.

## 36. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

The followings are the key risk areas that the Group encounters:

**(a) Credit Risk Management**

In discharging this responsibility, Group Credit Risk Unit is primarily involved in managing and enhancing asset quality, formulating and reviewing credit policies as well as the documentation/compilation of credit policies and procedures for adherence. Group Credit Risk also sets and reviews concentration limits according to various categories such as single customer groups, economic segments, product types, banks and countries, and overseas credit portfolio risk.

**(b) Market Risk Management**

Group Market Risk Unit continually evaluates risk arising from adverse movements in market prices or rates and monitors compliance to approved policies and risk limits. Market risk profiles are regularly reported to the various levels of management, as well as the Risk Management Committee and the Board of Directors.

Market risk controls adopted include the "Value-at-Risk" ("VaR") measurement, independent mark-to-market valuations, on-line tracking of various risk limits for trading positions, stress testing of portfolios, back testing of risk models and new product introduction guidelines.

**(c) Liquidity Risk Management**

The primary mechanism and tool for monitoring liquidity is the cash flow behaviour of the Bank. This framework ascertains liquidity based on the contractual and behavioural cash flow of assets, liabilities and off-balance sheet commitments, taking into consideration the realisable cash value of eligible liquid assets.

The Group maintains a minimum level of liquid assets although there is no such regulatory requirement. These assets are maintained in the form of cash and marketable debt securities that are issued by both sovereigns and triple-A rate private entities.

**(d) Operational Risk Management**

The Risk Taking Units (including the support units) are primary parties responsible for the management of day-to-day operational risk inherent in their respective business and functional areas. While Group Operational Risk Unit is responsible for the second line of defence, Group Internal Audit acts as the third line of defence by overseeing compliance in respect of day-to-day management of operational risks at the Risk Taking Units and providing independent assessments regarding the overall effectiveness of the operational risk management framework.

Further information on the framework and the principles for the management of risks of the Group are disclosed in the annual report.

## 37. INTEREST RATE RISK

The Group and Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows. Interest rate risk exposure is identified, measured, monitored and controlled through limits and procedures set by the Asset and Liability Management Committee ("ALCO") to protect total net interest income from changes in market interest rates.

## 37. INTEREST RATE RISK (CONT'D.)

The table below summarises the Group's and Bank's exposure to interest rate risk. The table indicates effective average interest rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

| Group 2006 | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non-interest sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective interest rate % |
|---|---|---|---|---|---|---|---|---|---|
| Assets | | | | | | | | | |
| Cash and short-term funds | 25,549,788 | – | – | – | – | 6,485,607 | – | 32,035,395 | 4.22 |
| Deposits and placements with banks and other financial institutions | 950,805 | 1,674,904 | 1,009,897 | 63,311 | – | 352,492 | – | 4,051,409 | 4.75 |
| Securities purchased under resale agreements | 1,004,367 | 499,590 | – | – | – | – | – | 1,503,957 | 3.72 |
| Securities held-for-trading | – | – | – | – | – | – | 477,699 | 477,699 | 3.90 |
| Securities available-for-sale | – | – | – | – | – | – | 27,445,865 | 27,445,865 | 4.50 |
| Securities held-to-maturity | 505,649 | 1,206,571 | 1,522,903 | 1,547,495 | 1,015,640 | – | – | 5,798,258 | 3.68 |
| Loans, advances and financing | | | | | | | | | |
| – Performing | 20,926,650 | 18,802,228 | 11,021,215 | 16,913,687 | 42,243,522 | 18,759,786 | – | 128,667,088 | 6.40 |
| – Non-performing* | – | – | – | – | – | 2,786,566 | – | 2,786,566 | – |
| Other assets | – | – | – | – | – | 3,025,581 | – | 3,025,581 | – |
| Other non-interest sensitive balances | – | – | – | – | – | 6,292,820 | – | 6,292,820 | – |
| Life, general takaful and family takaful fund assets | – | – | – | – | – | 12,120,688 | – | 12,120,688 | – |
| Total Assets | 48,937,259 | 22,183,293 | 13,554,015 | 18,524,493 | 43,259,162 | 49,823,540 | 27,923,564 | 224,205,326 | |

## 37. INTEREST RATE RISK (CONT'D.)

| Group 2006 | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non-interest sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective interest rate % |
|---|---|---|---|---|---|---|---|---|---|
| **Liabilities and Shareholders' Equity** | | | | | | | | | |
| Deposits from customers | 62,150,164 | 12,695,799 | 23,813,415 | 1,089,939 | 15,992 | 36,452,667 | – | 136,217,976 | 2.25 |
| Deposits and placements of banks and other financial institutions | 16,310,509 | 5,203,985 | 1,566,087 | 1,729,072 | 659,104 | 3,238,818 | – | 28,707,575 | 3.68 |
| Obligations on securities sold under repurchase agreements | 9,825,474 | 2,203,376 | 247,288 | – | – | – | – | 12,276,138 | 3.39 |
| Bills and acceptances payable | 643,126 | 980,409 | 366,906 | – | – | 2,827,774 | – | 4,818,215 | 3.67 |
| Recourse obligation on loans sold to Cagamas | – | 22,936 | 712,593 | 2,981,133 | 10,796 | – | – | 3,727,458 | 4.15 |
| Provision for taxation and zakat | – | – | – | – | – | 1,074,402 | – | 1,074,402 | – |
| Subordinated obligations | – | – | – | – | 3,896,880 | – | – | 3,896,880 | 5.27 |
| Other liabilities | – | – | – | – | – | 3,891,693 | – | 3,891,693 | – |
| Life, general takaful and family takaful fund liabilities | – | – | – | – | – | 684,536 | – | 684,536 | – |
| Life, general takaful and family takaful policy holders' funds | – | – | – | – | – | 11,436,152 | – | 11,436,152 | – |
| **Total Liabilities** | 88,929,273 | 21,106,505 | 26,706,289 | 5,800,144 | 4,582,772 | 59,606,042 | – | 206,731,025 | |
| Shareholders' equity | – | – | – | – | – | 16,765,826 | – | 16,765,826 | – |
| Minority interests | – | – | – | – | – | 708,475 | – | 708,475 | – |
| | – | – | – | – | – | 17,474,301 | – | 17,474,301 | |
| **Total Liabilities and Shareholders' Equity** | 88,929,273 | 21,106,505 | 26,706,289 | 5,800,144 | 4,582,772 | 77,080,343 | – | 224,205,326 | |
| On-balance sheet interest sensitivity gap | (39,992,014) | 1,076,788 | (13,152,274) | 12,724,349 | 38,676,390 | (27,256,803) | 27,923,564 | – | |
| Off-balance sheet interest sensitivity gap (interest rate swaps) | 799,135 | (328,505) | (161,651) | (338,979) | 30,000 | – | – | – | |
| **Total interest sensitivity gap** | (39,192,879) | 748,283 | (13,313,925) | 12,385,370 | 38,706,390 | (27,256,803) | 27,923,564 | – | |
| **Cumulative interest rate sensitivity gap** | (39,192,879) | (38,444,596) | (51,758,521) | (39,373,151) | (666,761) | (27,923,564) | – | | |

* This is arrived at after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

| Group 2005 | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non-interest sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective interest rate % |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Cash and short-term funds | 18,253,501 | – | – | – | – | 4,342,943 | – | 22,596,444 | 2.87 |
| Deposits and placements with banks and other financial institutions | 134,438 | 7,587,548 | 1,015,314 | 8,287 | 60,307 | 518,902 | – | 9,324,796 | 2.92 |
| Securities purchased under resale agreements | 197,481 | 102,376 | – | – | – | – | – | 299,857 | 1.28 |
| Dealing securities | – | – | – | – | – | – | 629,110 | 629,110 | 4.32 |
| Investment securities | 2,760,802 | 2,706,484 | 2,158,235 | 9,559,315 | 5,702,042 | 4,745,028 | – | 27,631,906 | 4.01 |
| Loans, advances and financing | | | | | | | | | |
| - Performing | 34,517,481 | 21,693,037 | 12,831,875 | 11,424,879 | 20,220,528 | 15,648,508 | – | 116,336,308 | 6.30 |
| - Non-performing* | – | – | – | – | – | 3,257,506 | – | 3,257,506 | – |
| Other assets | – | – | – | – | – | 1,664,333 | – | 1,664,333 | – |
| Other non-interest sensitive balances | – | – | – | – | – | 6,554,344 | – | 6,554,344 | – |
| Life, general takaful and family takaful fund assets | – | – | – | – | – | 3,600,656 | – | 3,600,656 | – |
| **Total Assets** | 55,863,703 | 32,089,445 | 16,005,424 | 20,992,481 | 25,982,877 | 40,332,220 | 629,110 | 191,895,260 | |
| **Liabilities and Shareholders' Equity** | | | | | | | | | |
| Deposits from customers | 58,777,116 | 12,708,896 | 22,628,629 | 1,947,719 | 160,918 | 34,844,767 | – | 131,068,045 | 2.21 |
| Deposits and placements of banks and other financial institutions | 6,980,048 | 3,671,226 | 1,673,411 | 1,874,297 | 603,937 | 3,558,263 | – | 18,361,182 | 2.62 |
| Obligations on securities sold under repurchase agreements | 7,051,486 | 339,742 | 236,217 | 250 | – | – | – | 7,627,695 | 2.53 |
| Bills and acceptances payable | 131,317 | 48,432 | 76,564 | – | – | 2,101,811 | – | 2,358,124 | 2.98 |
| Recourse obligation on loans sold to Cagamas | – | 507,620 | 484,357 | 3,998,796 | – | – | – | 4,990,773 | 4.39 |
| Provision for taxation and zakat | – | – | – | – | – | 880,205 | – | 880,205 | – |
| Subordinated obligations | – | 950,000 | 610,000 | 1,444,000 | – | – | – | 3,004,000 | 6.34 |
| Other liabilities | – | – | – | – | – | 3,130,142 | – | 3,130,142 | – |
| Other non-interest sensitive balances | – | – | – | – | – | 20,685 | – | 20,685 | – |
| Life, general takaful and family takaful fund liabilities | – | – | – | – | – | 120,506 | – | 120,506 | – |
| Life, general takaful and family takaful policy holders' funds | – | – | – | – | – | 3,480,150 | – | 3,480,150 | – |
| **Total Liabilities** | 72,939,967 | 18,225,916 | 25,709,178 | 9,265,062 | 764,855 | 48,136,529 | – | 175,041,507 | |
| Shareholders' equity | – | – | – | – | – | 16,401,309 | – | 16,401,309 | – |
| Minority interests | – | – | – | – | – | 452,444 | – | 452,444 | – |
| | – | – | – | – | – | 16,853,753 | – | 16,853,753 | |
| **Total Liabilities and Shareholders' Equity** | 72,939,967 | 18,225,916 | 25,709,178 | 9,265,062 | 764,855 | 64,990,282 | – | 191,895,260 | |
| On-balance sheet interest sensitivity gap | (17,076,264) | 13,863,529 | (9,703,754) | 11,727,419 | 25,218,022 | (24,658,062) | 629,110 | – | |
| Off-balance sheet interest sensitivity gap (interest rate swaps) | 902,400 | 5,322,571 | (912,736) | (3,272,400) | (2,039,835) | – | – | – | |
| **Total interest sensitivity gap** | (16,173,864) | 19,186,100 | (10,616,490) | 8,455,019 | 23,178,187 | (24,658,062) | 629,110 | – | |
| **Cumulative interest rate sensitivity gap** | (16,173,864) | 3,012,236 | (7,604,254) | 850,765 | 24,028,952 | (629,110) | – | | |

* This is arrived at after deducting the general allowance, specific allowance and interest/income-in-suspense from gross non-performing loans outstanding.

## 37. INTEREST RATE RISK (CONT'D.)

| Bank 2006 | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non-interest sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective interest rate % |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Cash and short-term funds | 20,816,434 | – | – | – | – | 6,726,018 | – | 27,542,452 | 4.27 |
| Deposits and placements with banks and other financial institutions | 409,801 | 1,076,617 | 1,084,195 | 58,826 | – | 381,391 | – | 3,010,830 | 5.02 |
| Securities purchased under resale agreements | 1,004,367 | 499,590 | – | – | – | – | – | 1,503,957 | 3.72 |
| Securities held-for-trading | – | – | – | – | – | – | 476,976 | 476,976 | 3.89 |
| Securities available-for-sale | – | – | – | – | – | – | 23,143,904 | 23,143,904 | 4.38 |
| Securities held-to-maturity | 10,705 | 368,238 | 1,028,329 | 1,222,043 | 639,552 | – | – | 3,268,867 | 3.64 |
| Loans, advances and financing | | | | | | | | | |
| - Performing | 21,909,493 | 17,877,272 | 10,341,792 | 16,604,479 | 42,155,002 | 16,267,093 | – | 125,155,131 | 6.42 |
| - Non-performing* | – | – | – | – | – | 2,693,264 | – | 2,693,264 | – |
| Other assets | – | – | – | – | – | 10,261,625 | – | 10,261,625 | – |
| **Total Assets** | 44,150,800 | 19,821,717 | 12,454,316 | 17,885,348 | 42,794,554 | 36,329,391 | 23,620,880 | 197,057,006 | |
| **Liabilities and Shareholders' Equity** | | | | | | | | | |
| Deposits from customer | 51,482,140 | 11,888,849 | 24,032,612 | 940,212 | 16,300 | 36,777,323 | – | 125,137,436 | 2.09 |
| Deposits and placements of banks and other financial institutions | 15,446,567 | 5,296,512 | 1,563,282 | 1,761,232 | 671,363 | 3,298,906 | – | 28,037,862 | 3.66 |
| Obligations on securities sold under repurchase agreements | 8,766,994 | 2,203,003 | 247,288 | – | – | – | – | 11,217,285 | 3.39 |
| Bills and acceptances payable | 687,490 | 1,041,326 | 395,412 | – | – | 3,044,316 | – | 5,168,544 | 3.67 |
| Recourse obligation on loans sold to Cagamas | – | 22,936 | 712,593 | 2,981,133 | 10,796 | – | – | 3,727,458 | 4.15 |
| Subordinated obligations | – | – | – | – | 3,896,880 | – | – | 3,896,880 | 5.27 |
| Other liabilities | – | – | – | – | – | 4,597,447 | – | 4,597,447 | – |
| **Total Liabilities** | 76,383,191 | 20,452,626 | 26,951,187 | 5,682,577 | 4,595,339 | 47,717,992 | – | 181,782,912 | |
| Shareholders' equity | – | – | – | – | – | 15,274,094 | – | 15,274,094 | – |
| **Total Liabilities and Shareholders' Equity** | 76,383,191 | 20,452,626 | 26,951,187 | 5,682,577 | 4,595,339 | 62,992,086 | – | 197,057,006 | |
| On-balance sheet interest sensitivity gap | (32,232,391) | (630,909) | (14,496,871) | 12,202,771 | 38,199,215 | (26,662,695) | 23,620,880 | – | |
| Off-balance sheet interest sensitivity gap (interest rate swaps) | 799,135 | (328,505) | (161,651) | (338,979) | 30,000 | – | – | – | |
| **Total interest sensitivity gap** | (31,433,256) | (959,414) | (14,658,522) | 11,863,792 | 38,229,215 | (26,662,695) | 23,620,880 | – | |
| **Cumulative interest rate sensitivity gap** | (31,433,256) | (32,392,670) | (47,051,192) | (35,187,400) | 3,041,815 | (23,620,880) | – | | |

* This is arrived at after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

| Bank 2005 | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non-interest sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective interest rate % |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Cash and short-term funds | 14,516,549 | – | – | – | – | 3,962,855 | – | 18,479,404 | 2.78 |
| Deposits and placements with banks and other financial institutions | 121,317 | 7,530,271 | 1,927,650 | 7,897 | – | 388,601 | – | 9,975,736 | 2.92 |
| Securities purchased under resale agreements | 194,495 | 102,376 | – | – | – | – | – | 296,871 | 1.27 |
| Dealing securities | – | – | – | – | – | – | 230,617 | 230,617 | 2.64 |
| Investment securities | 1,879,753 | 1,637,198 | 1,245,340 | 7,792,324 | 5,080,108 | 4,262,837 | – | 21,897,560 | 3.96 |
| Loans, advances and financing | | | | | | | | | |
| - Performing | 32,888,392 | 20,182,258 | 12,170,515 | 11,256,094 | 20,189,618 | 15,648,685 | – | 112,335,562 | 6.33 |
| - Non-performing* | – | – | – | – | – | 3,146,070 | – | 3,146,070 | – |
| Other assets | – | – | – | – | – | 993,599 | – | 993,599 | – |
| Other non-interest sensitive balances | – | – | – | – | – | 8,079,294 | – | 8,079,294 | – |
| **Total Assets** | 49,600,506 | 29,452,103 | 15,343,505 | 19,056,315 | 25,269,726 | 36,481,941 | 230,617 | 175,434,713 | |
| **Liabilities and Shareholders' Equity** | | | | | | | | | |
| Deposits from customer | 48,017,028 | 10,960,635 | 22,541,627 | 1,898,414 | – | 34,858,009 | – | 118,275,713 | 2.10 |
| Deposits and placements of banks and other financial institutions | 8,150,273 | 3,957,420 | 1,728,807 | 1,874,297 | 603,937 | 3,559,460 | – | 19,874,194 | 2.48 |
| Obligations on securities sold under repurchase agreements | 6,846,060 | 339,742 | 236,217 | 250 | – | – | – | 7,422,269 | 2.53 |
| Bills and acceptances payable | 249,839 | 193,568 | 175,460 | – | – | 2,073,701 | – | 2,692,568 | 2.69 |
| Recourse obligation on loans sold to Cagamas | – | 507,620 | 484,357 | 3,998,796 | – | – | – | 4,990,773 | 4.39 |
| Provision for taxation and zakat | – | – | – | – | – | 855,514 | – | 855,514 | – |
| Subordinated obligations | – | 950,000 | 610,000 | 1,444,000 | – | – | – | 3,004,000 | 6.34 |
| Other liabilities | – | – | – | – | – | 3,140,403 | – | 3,140,403 | – |
| **Total Liabilities** | 63,263,200 | 16,908,985 | 25,776,468 | 9,215,757 | 603,937 | 44,487,087 | – | 160,255,434 | |
| Shareholders' equity | – | – | – | – | – | 15,179,279 | – | 15,179,279 | – |
| **Total Liabilities and Shareholders' Equity** | 63,263,200 | 16,908,985 | 25,776,468 | 9,215,757 | 603,937 | 59,666,366 | – | 175,434,713 | |
| On-balance sheet interest sensitivity gap | (13,662,694) | 12,543,118 | (10,432,963) | 9,840,558 | 24,665,789 | (23,184,425) | 230,617 | – | |
| Off-balance sheet interest sensitivity gap (interest rate swaps) | 902,399 | 5,322,571 | (912,735) | (3,272,400) | (2,039,835) | – | – | – | |
| **Total interest sensitivity gap** | (12,760,295) | 17,865,689 | (11,345,698) | 6,568,158 | 22,625,954 | (23,184,425) | 230,617 | – | |
| **Cumulative interest rate sensitivity gap** | (12,760,295) | 5,105,394 | (6,240,304) | 327,854 | 22,953,808 | (230,617) | – | | |

* This is arrived at after deducting the general allowance, specific allowance and interest/income-in-suspense from gross non-performing loans outstanding.

## 38. YIELD/PROFIT RATE RISK ON IBS PORTFOLIO

The Group and Bank are exposed to the risk associated with the effects of fluctuations in the prevailing levels of yield/profit rate on the financial position and cash flows of the IBS portfolio. The fluctuations in yield/profit rate can be influenced by changes in interest rates that affect the value of financial instruments under the IBS portfolio. Yield/profit rate risk is monitored and managed by the Asset and Liability Management Committee ("ALCO") to protect the income from IBS operations.

The table below summarises the Group's and Bank's exposure to yield/profit rate risk for the IBS operations. The table indicates effective average yield/profit rates at the balance sheet date and the periods in which the financial instruments either reprice or mature, whichever is earlier.

| Group 2006 | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non-yield/ profit rate sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective yield/profit rate % |
|---|---|---|---|---|---|---|---|---|---|
| Assets | | | | | | | | | |
| Cash and short-term funds | 1,154,653 | – | – | – | – | 2,120,226 | – | 3,274,879 | 3.69 |
| Deposits and placements with banks and other financial institutions | – | 340,000 | – | – | – | 69 | – | 340,069 | 3.84 |
| Securities available-for-sale | – | – | – | – | – | – | 2,418,341 | 2,418,341 | 4.48 |
| Securities held-to-maturity | 9,697 | 9,661 | 202,457 | 2,916 | – | – | – | 224,731 | 4.19 |
| Loans and financing | | | | | | | | | |
| - Performing | 3,438,883 | 1,924,457 | 874,993 | 510,086 | 9,579,845 | – | – | 16,328,264 | 7.08 |
| - Non-performing* | – | – | – | – | – | 349,090 | – | 349,090 | – |
| Other assets | – | – | – | – | – | 675,929 | – | 675,929 | – |
| Total Assets | 4,603,233 | 2,274,118 | 1,077,450 | 513,002 | 9,579,845 | 3,145,314 | 2,418,341 | 23,611,303 | |
| Liabilities and Islamic Banking Fund | | | | | | | | | |
| Deposits from customers | 5,937,811 | 1,240,097 | 1,807,696 | 302,866 | 239,689 | 4,065,499 | – | 13,593,658 | 2.94 |
| Deposits and placements of banks and other financial institutions | 1,155,517 | 190,000 | – | 42,633 | 135,072 | – | – | 1,523,222 | 3.46 |
| Bills and acceptances payable | 922,545 | 1,087,577 | 202,564 | – | – | 658 | – | 2,213,344 | 3.72 |
| Subordinated obligations | – | – | – | – | 2,500,000 | – | – | 2,500,000 | 4.79 |
| Other liabilities | – | – | – | – | – | 1,904,463 | – | 1,904,463 | – |
| Total Liabilities | 8,015,873 | 2,517,674 | 2,010,260 | 345,499 | 2,874,761 | 5,970,620 | – | 21,734,687 | |
| Islamic banking fund | – | – | – | – | – | 1,876,616 | – | 1,876,616 | – |
| Total Liabilities and Islamic Banking Fund | 8,015,873 | 2,517,674 | 2,010,260 | 345,499 | 2,874,761 | 7,847,236 | – | 23,611,303 | |
| On-balance sheet yield/profit rate sensitivity gap | (3,412,640) | (243,556) | (932,810) | 167,503 | 6,705,084 | (4,701,922) | 2,418,341 | – | |
| Cumulative yield/profit rate sensitivity gap | (3,412,640) | (3,656,196) | (4,589,006) | (4,421,503) | 2,283,581 | (2,418,341) | – | | |

* This is arrived at after deducting the general allowance and specific allowance from gross non-performing financing outstanding.

| Group 2005 | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non-yield/ profit rate sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective yield/profit rate % |
|---|---|---|---|---|---|---|---|---|---|
| Assets | | | | | | | | | |
| Cash and short-term funds | 2,644,207 | – | – | – | – | 464 | – | 2,644,671 | 2.76 |
| Deposits and placements with banks and other financial institutions | 333,076 | 133,000 | – | – | – | 990 | – | 467,066 | 2.87 |
| Investment securities | 445,559 | 840,869 | 787,044 | 1,123,698 | 189,787 | 14,350 | – | 3,401,307 | 3.04 |
| Loans and financing | | | | | | | | | |
| - Performing | 584,654 | 1,735,875 | 1,722,884 | 2,436,469 | 9,168,626 | – | – | 15,648,508 | 7.25 |
| - Non-performing* | – | – | – | – | – | 404,250 | – | 404,250 | – |
| Other assets | – | – | – | – | – | 14,176 | – | 14,176 | – |
| Other non-yield/profit rate sensitive balances | – | – | – | – | – | 235,516 | – | 235,516 | – |
| Total Assets | 4,007,496 | 2,709,744 | 2,509,928 | 3,560,167 | 9,358,413 | 669,746 | – | 22,815,494 | |
| Liabilities and Islamic Banking Fund | | | | | | | | | |
| Deposits from customers | 4,120,769 | 1,027,022 | 1,908,717 | 108,728 | 20,043 | 8,150,712 | – | 15,335,991 | 2.73 |
| Deposits and placements of banks and other financial institutions | 1,531,985 | 1,170,348 | 348,736 | – | 89,339 | – | – | 3,140,408 | 2.69 |
| Bills and acceptances payable | 353,587 | 581,343 | 255,824 | – | – | 605 | – | 1,191,359 | 2.64 |
| Provision for taxation and zakat | – | – | – | – | – | 171,593 | – | 171,593 | – |
| Other liabilities | – | – | – | – | – | 1,169,572 | – | 1,169,572 | – |
| Total Liabilities | 6,006,341 | 2,778,713 | 2,513,277 | 108,728 | 109,382 | 9,492,482 | – | 21,008,923 | |
| Islamic banking fund | – | – | – | – | – | 1,806,571 | – | 1,806,571 | – |
| Total Liabilities and Islamic Banking Fund | 6,006,341 | 2,778,713 | 2,513,277 | 108,728 | 109,382 | 11,299,053 | – | 22,815,494 | |
| On-balance sheet yield/profit rate sensitivity gap | (1,998,845) | (68,969) | (3,349) | 3,451,439 | 9,249,031 | (10,629,307) | – | – | |
| Cumulative yield/profit rate sensitivity gap | (1,998,845) | (2,067,814) | (2,071,163) | 1,380,276 | 10,629,307 | – | – | | |

* This is arrived at after deducting the general allowance, specific allowance and income-in-suspense from gross non-performing financing outstanding.

## 38. YIELD/PROFIT RATE RISK ON IBS PORTFOLIO (CONT'D.)

| Bank 2006 | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non-yield/ profit rate sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective yield/profit rate % |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Cash and short-term funds | 936,053 | – | – | – | – | 2,119,927 | – | 3,055,980 | 3.64 |
| Deposits and placements with banks and other financial institutions | – | 340,000 | – | – | – | 69 | – | 340,069 | 3.84 |
| Securities available-for-sale | – | – | – | – | – | – | 2,187,434 | 2,187,434 | 4.28 |
| Securities held-to-maturity | – | – | 186,400 | – | – | – | – | 186,400 | 4.15 |
| Loans and financing | | | | | | | | | |
| - Performing | 3,438,883 | 1,924,457 | 874,993 | 510,086 | 9,579,845 | – | – | 16,328,264 | 7.06 |
| - Non-performing* | – | – | – | – | – | 349,090 | – | 349,090 | – |
| Other assets | – | – | – | – | – | 671,000 | – | 671,000 | – |
| **Total Assets** | 4,374,936 | 2,264,457 | 1,061,393 | 510,086 | 9,579,845 | 3,140,086 | 2,187,434 | 23,118,237 | |
| **Liabilities and Islamic Banking Fund** | | | | | | | | | |
| Deposits from customers | 5,723,083 | 1,230,935 | 1,804,629 | 302,866 | 239,689 | 4,065,499 | – | 13,366,701 | 3.64 |
| Deposits and placements of banks and other financial institutions | 1,110,093 | 190,000 | – | 42,633 | 135,071 | – | – | 1,477,797 | 3.84 |
| Bills and acceptances payable | 922,545 | 1,087,577 | 202,564 | – | – | 658 | – | 2,213,344 | 3.72 |
| Subordinated obligations | – | – | – | – | 2,500,000 | – | – | 2,500,000 | 4.79 |
| Other liabilities | – | – | – | – | – | 1,901,299 | – | 1,901,299 | – |
| **Total Liabilities** | 7,755,721 | 2,508,512 | 2,007,193 | 345,499 | 2,874,760 | 5,967,456 | – | 21,459,141 | |
| Islamic banking fund | – | – | – | – | – | 1,659,096 | – | 1,659,096 | – |
| **Total Liabilities and Islamic Banking Fund** | 7,755,721 | 2,508,512 | 2,007,193 | 345,499 | 2,874,760 | 7,626,552 | – | 23,118,237 | |
| **On-balance sheet yield/profit rate sensitivity gap** | (3,380,785) | (244,055) | (945,800) | 164,587 | 6,705,085 | (4,486,466) | 2,187,434 | – | |
| **Cumulative yield/profit rate sensitivity gap** | (3,380,785) | (3,624,840) | (4,570,640) | (4,406,053) | 2,299,032 | (2,187,434) | – | | |

* This is arrived at after deducting the general allowance and specific allowance from gross non-performing financing outstanding.

| Bank 2005 | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non-yield/ profit rate sensitive RM'000 | Trading books RM'000 | Total RM'000 | Effective yield/profit rate % |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Cash and short-term funds | 2,264,460 | – | – | – | – | – | – | 2,264,460 | 2.72 |
| Deposits and placements with banks and other financial institutions | – | 340,000 | – | – | – | 990 | – | 340,990 | 2.72 |
| Investment securities | 268,248 | 836,049 | 631,845 | 1,099,802 | 169,646 | 14,350 | – | 3,019,940 | 2.91 |
| Loans and financing | | | | | | | | | |
| - Performing | 584,654 | 1,735,875 | 1,722,884 | 2,436,469 | 9,168,803 | – | – | 15,648,685 | 7.25 |
| - Non-performing* | – | – | – | – | – | 404,073 | – | 404,073 | – |
| Other assets | – | – | – | – | – | 9,543 | – | 9,543 | – |
| Other non-yield/profit rate sensitive balances | – | – | – | – | – | 230,410 | – | 230,410 | – |
| **Total Assets** | 3,117,362 | 2,911,924 | 2,354,729 | 3,536,271 | 9,338,449 | 659,366 | – | 21,918,101 | |
| **Liabilities and Islamic Banking Fund** | | | | | | | | | |
| Deposits from customers | 5,017,864 | 2,761,552 | 2,506,383 | 1,070,665 | 18,154 | 3,670,085 | – | 15,044,703 | 2.73 |
| Deposits and placements of banks and other financial institutions | 1,517,478 | 1,170,348 | 348,736 | – | 89,338 | – | – | 3,125,900 | 2.69 |
| Bills and acceptances payable | 353,587 | 581,343 | 255,824 | – | – | 605 | – | 1,191,359 | 2.64 |
| Provision for taxation and zakat | – | – | – | – | – | 165,017 | – | 165,017 | – |
| Other liabilities | – | – | – | – | – | 1,156,729 | – | 1,156,729 | – |
| **Total Liabilities** | 6,888,929 | 4,513,243 | 3,110,943 | 1,070,665 | 107,492 | 4,992,436 | – | 20,683,708 | |
| Islamic banking fund | – | – | – | – | – | 1,234,393 | – | 1,234,393 | – |
| **Total Liabilities and Islamic Banking Fund** | 6,888,929 | 4,513,243 | 3,110,943 | 1,070,665 | 107,492 | 6,226,829 | – | 21,918,101 | |
| **On-balance sheet yield/profit rate sensitivity gap** | (3,771,567) | (1,601,319) | (756,214) | 2,465,606 | 9,230,957 | (5,567,463) | – | – | |
| **Cumulative yield/profit rate sensitivity gap** | (3,771,567) | (5,372,886) | (6,129,100) | (3,663,494) | 5,567,463 | – | – | | |

* This is arrived at after deducting the general allowance, specific allowance and income-in-suspense from gross non-performing financing outstanding.

## 39. FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk to earnings and value of foreign currency assets, liabilities and derivative financial instruments caused by fluctuations in foreign exchange rates.

The banking activities of providing financial products and services to customers expose the Group and the Bank to foreign exchange risk. Foreign exchange risk is managed by treasury function, and monitored by Group Risk Management against delegated limits. The Group's policy is to ensure, where appropriate and practical, that its capital is protected from foreign exchange exposures. Hedging against foreign exchange exposures is mainly to protect the real economic value, rather than to avoid the short-term accounting impact.

The table below analyses the net foreign exchange positions of the Group and the Bank by major currencies, which are mainly in Ringgit Malaysia, Singapore Dollar, the Great Britain Pound, Hong Kong Dollar and US Dollar. The "Others" foreign exchange risk include mainly exposure to Euro, Japanese Yen, Renminbi, Philippines Peso, Indonesia Rupiah, Papua New Guinea Kina and Brunei Dollars.

| Group<br>2006 | Malaysian Ringgit<br>RM'000 | Singapore Dollar<br>RM'000 | Great Britain Pound<br>RM'000 | Hong Kong Dollar<br>RM'000 | United States Dollar<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and short-term funds | 18,947,761 | 1,087,959 | 323,404 | 7,184 | 11,250,782 | 418,305 | 32,035,395 |
| Deposits and placements with banks and other financial institutions | 1,400,486 | 1,138,743 | – | – | 1,458,502 | 53,678 | 4,051,409 |
| Securities purchased under resale agreements | 1,154,603 | 349,354 | – | – | – | – | 1,503,957 |
| Securities portfolio | 24,353,305 | 3,160,440 | 33,823 | 211,436 | 5,602,926 | 359,892 | 33,721,822 |
| Loans, advances and financing | 99,105,924 | 20,601,827 | 42,685 | 432,501 | 10,388,899 | 881,818 | 131,453,654 |
| Statutory deposits with Central Banks | 2,995,529 | 676,580 | – | – | 15,219 | 14,496 | 3,701,824 |
| Investment in associates | 6,991 | – | – | – | 2,629 | – | 9,620 |
| Property, plant and equipment | 1,049,949 | 300,688 | 4,056 | 1,230 | 6,070 | 41,815 | 1,403,808 |
| Other assets | 2,683,074 | 8,730 | 1,225 | 1,125 | 240,777 | 90,650 | 3,025,581 |
| Deferred tax assets | 1,009,993 | 167,575 | – | – | – | – | 1,177,568 |
| Life and Family Takaful fund assets | 11,688,629 | – | – | – | 432,059 | – | 12,120,688 |
| **Total Assets** | 164,396,244 | 27,491,896 | 405,193 | 653,476 | 29,397,863 | 1,860,654 | 224,205,326 |
| **Liabilities** | | | | | | | |
| Deposits from customers | 100,719,776 | 23,617,225 | 1,141,459 | 145,642 | 8,044,002 | 2,549,872 | 136,217,976 |
| Deposits and placements of banks and other financial institutions | 13,734,192 | 700,479 | 1,391,310 | 1,004,051 | 9,071,209 | 2,806,334 | 28,707,575 |
| Obligations on securities sold under repurchase agreements | 10,929,062 | – | – | – | 1,347,076 | – | 12,276,138 |
| Bills and acceptances payable | 4,756,648 | 57,580 | – | 55 | 5 | 3,927 | 4,818,215 |
| Recourse obligation on loans sold to Cagamas | 3,727,458 | – | – | – | – | – | 3,727,458 |
| Provision for taxation and zakat | 814,512 | 241,050 | 21 | 12,425 | 3,886 | 2,508 | 1,074,402 |
| Subordinated obligations | 3,896,880 | – | – | – | – | – | 3,896,880 |
| Other liabilities | 3,093,868 | 335,099 | 6,227 | 9,134 | 178,896 | 241,887 | 3,865,111 |
| Deferred taxation | 11,933 | 481 | – | – | – | 14,168 | 26,582 |
| Life and Family Takaful fund liabilities | 681,641 | – | – | – | 2,895 | – | 684,536 |
| Life and Family Takaful policy holders' funds | 11,408,401 | – | – | – | 27,751 | – | 11,436,152 |
| **Total Liabilities** | 153,774,371 | 24,951,914 | 2,539,017 | 1,171,307 | 18,675,720 | 5,618,696 | 206,731,025 |
| On-balance sheet open position | 10,621,873 | 2,539,982 | (2,133,824) | (517,831) | 10,722,143 | (3,758,042) | 17,474,301 |
| Off-balance sheet open position | 2,837,956 | (118,896) | 355,137 | 591,132 | (5,497,416) | 1,832,087 | – |
| Net open position | 13,459,829 | 2,421,086 | (1,778,687) | 73,301 | 5,224,727 | (1,925,955) | 17,474,301 |
| Net structural position included in the above | – | – | 38,703 | 135,459 | – | 311,746 | 485,908 |

| Group<br>2005 | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and short-term funds | 16,530,319 | 110,033 | 59,474 | 93,980 | 5,163,775 | 638,863 | 22,596,444 |
| Deposits and placements with banks and other financial institutions | 6,441,600 | 167,238 | 132 | 42,762 | 2,645,553 | 27,511 | 9,324,796 |
| Securities purchased under resale agreements | 105,362 | 194,495 | – | – | – | – | 299,857 |
| Dealing securities | 467,665 | 50,266 | – | – | – | 111,179 | 629,110 |
| Investment securities | 19,220,195 | 2,436,214 | 34,286 | 174,369 | 5,483,943 | 282,899 | 27,631,906 |
| Loans, advances and financing | 94,228,676 | 14,594,542 | 39,785 | 689,397 | 9,431,270 | 610,144 | 119,593,814 |
| Statutory deposits with Central Banks | 3,629,927 | 466,802 | – | – | 22,194 | 109,858 | 4,228,781 |
| Investment in associates | 13,908 | – | – | – | 6,140 | – | 20,048 |
| Property, plant and equipment | 1,002,128 | 298,978 | 4,634 | 1,415 | 5,869 | 28,545 | 1,341,569 |
| Other assets | 997,779 | 65,878 | 7,545 | 1,954 | 307,707 | 283,470 | 1,664,333 |
| Deferred tax assets | 798,343 | 165,603 | – | – | – | – | 963,946 |
| Life and Family Takaful fund assets | 3,600,656 | – | – | – | – | – | 3,600,656 |
| **Total Assets** | 147,036,558 | 18,550,049 | 145,856 | 1,003,877 | 23,066,451 | 2,092,469 | 191,895,260 |
| **Liabilities** | | | | | | | |
| Deposits from customers | 105,772,313 | 15,435,982 | 206,333 | 127,219 | 7,995,167 | 1,531,031 | 131,068,045 |
| Deposits and placements of banks and other financial institutions | 7,543,126 | 972,217 | 40,658 | 498,727 | 8,962,113 | 344,341 | 18,361,182 |
| Obligations on securities sold under repurchase agreements | 6,959,634 | – | – | – | 668,061 | – | 7,627,695 |
| Bills and acceptances payable | 2,210,296 | 68,929 | – | 119 | 71,965 | 6,815 | 2,358,124 |
| Recourse obligation on loans sold to Cagamas | 4,990,773 | – | – | – | – | – | 4,990,773 |
| Provision for taxation and zakat | 667,015 | 202,903 | – | 2,042 | 4,773 | 3,472 | 880,205 |
| Subordinated obligations | 610,000 | – | – | – | 2,394,000 | – | 3,004,000 |
| Other liabilities | 2,550,123 | 281,979 | 27,728 | 4,526 | 203,751 | 62,035 | 3,130,142 |
| Deferred taxation | 12,286 | – | – | – | – | 8,399 | 20,685 |
| Life and Family Takaful fund liabilities | 120,506 | – | – | – | – | – | 120,506 |
| Life and Family Takaful policy holders' funds | 3,480,150 | – | – | – | – | – | 3,480,150 |
| **Total Liabilities** | 134,916,222 | 16,962,010 | 274,719 | 632,633 | 20,299,830 | 1,956,093 | 175,041,507 |
| On-balance sheet open position | 12,120,336 | 1,588,039 | (128,863) | 371,244 | 2,766,621 | 136,376 | 16,853,753 |
| Off-balance sheet open position | 2,541,413 | (82,773) | 69,513 | (319,452) | (1,812,006) | (396,695) | – |
| Net open position | 14,661,749 | 1,505,266 | (59,350) | 51,792 | 954,615 | (260,319) | 16,853,753 |
| Net structural position included in the above | – | – | 9,792 | 55,630 | – | 281,332 | 346,754 |

## 39. FOREIGN EXCHANGE RISK (CONT'D.)

| Bank 2006 | Malaysian Ringgit RM'000 | Singapore Dollar RM'000 | Great Britain Pound RM'000 | Hong Kong Dollar RM'000 | United States Dollar RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and short-term funds | 15,785,041 | 1,084,674 | 297,351 | 13,761 | 9,988,647 | 372,978 | 27,542,452 |
| Deposits and placements with banks and other financial institutions | 749,954 | 1,106,298 | – | – | 1,145,680 | 8,898 | 3,010,830 |
| Securities purchased under resale agreements | 1,154,603 | 349,354 | – | – | – | – | 1,503,957 |
| Securities portfolio | 18,411,079 | 3,068,480 | 33,823 | 192,340 | 5,109,689 | 74,336 | 26,889,747 |
| Loans, advances and financing | 98,855,314 | 20,601,828 | 42,685 | 432,501 | 7,453,599 | 462,468 | 127,848,395 |
| Statutory deposits with Central Banks | 2,809,700 | 676,580 | – | – | 15,219 | 14,496 | 3,515,995 |
| Investment in subsidiaries | 2,359,848 | 139 | – | – | 27,060 | 326,746 | 2,713,793 |
| Investment in associates | 1,800 | – | – | – | 6,140 | – | 7,940 |
| Property, plant and equipment | 869,388 | 298,791 | 4,056 | 1,230 | 6,033 | – | 1,179,498 |
| Other assets | 1,452,085 | 8,047 | 192 | 859 | 222,808 | 39,913 | 1,723,904 |
| Deferred tax assets | 952,920 | 167,575 | – | – | – | – | 1,120,495 |
| **Total Assets** | 143,401,732 | 27,361,766 | 378,107 | 640,691 | 23,974,875 | 1,299,835 | 197,057,006 |
| **Liabilities** | | | | | | | |
| Deposits from customers | 95,990,427 | 23,616,985 | 982,682 | 145,534 | 3,448,065 | 953,743 | 125,137,436 |
| Deposits and placements of banks and other financial institutions | 13,336,743 | 700,457 | 1,391,306 | 1,003,750 | 8,808,477 | 2,797,129 | 28,037,862 |
| Obligations on securities sold under repurchase agreements | 9,870,209 | – | – | – | 1,347,076 | – | 11,217,285 |
| Bills and acceptances payable | 5,105,352 | 62,054 | – | 59 | 6 | 1,073 | 5,168,544 |
| Recourse obligation on loans sold to Cagamas | 3,727,458 | – | – | – | – | – | 3,727,458 |
| Provision for taxation and zakat | 777,003 | 241,050 | – | 12,400 | 3,857 | – | 1,034,310 |
| Subordinated obligations | 3,896,880 | – | – | – | – | – | 3,896,880 |
| Other liabilities | 2,877,915 | 223,117 | 5,420 | 8,976 | 213,118 | 234,591 | 3,563,137 |
| **Total Liabilities** | 135,581,987 | 24,843,663 | 2,379,408 | 1,170,719 | 13,820,599 | 3,986,536 | 181,782,912 |
| **On-balance sheet open position** | 7,819,745 | 2,518,103 | (2,001,301) | (530,028) | 10,154,276 | (2,686,701) | 15,274,094 |
| **Off-balance sheet open position** | 2,837,956 | (118,896) | 355,137 | 591,132 | (5,497,716) | 1,832,387 | – |
| **Net open position** | 10,657,701 | 2,399,207 | (1,646,164) | 61,104 | 4,656,560 | (854,314) | 15,274,094 |
| **Net structural position included in the above** | – | – | 18,434 | 106,236 | – | 338,327 | 462,997 |

| Bank 2005 | Malaysian Ringgit RM'000 | Singapore Dollar RM'000 | Great Britain Pound RM'000 | Hong Kong Dollar RM'000 | United States Dollar RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and short-term funds | 13,293,237 | 103,958 | 48,822 | 87,315 | 4,509,457 | 436,615 | 18,479,404 |
| Deposits and placements with banks and other financial institutions | 5,727,908 | 167,006 | – | 42,757 | 4,016,423 | 21,642 | 9,975,736 |
| Securities purchased under resale agreements | 102,376 | 194,495 | – | – | – | – | 296,871 |
| Dealing securities | 153,749 | 50,266 | – | – | – | 26,602 | 230,617 |
| Investment securities | 14,268,790 | 2,294,503 | 34,286 | 166,417 | 5,041,321 | 92,243 | 21,897,560 |
| Loans, advances and financing | 94,075,882 | 14,594,542 | 39,785 | 572,542 | 5,726,774 | 472,107 | 115,481,632 |
| Statutory deposits with Central Banks | 3,547,000 | 466,802 | – | – | 22,194 | 16,002 | 4,051,998 |
| Investment in subsidiaries | 1,562,048 | 135 | – | – | 27,060 | 326,735 | 1,915,978 |
| Investment in associates | 4,500 | – | – | – | 6,140 | – | 10,640 |
| Property, plant and equipment | 879,501 | 298,978 | 4,634 | 1,414 | 4,399 | – | 1,188,926 |
| Other assets | 613,284 | 54,363 | 7,531 | 1,587 | 301,047 | 15,787 | 993,599 |
| Deferred tax assets | 746,149 | 165,603 | – | – | – | – | 911,752 |
| **Total Assets** | 134,974,424 | 18,390,651 | 135,058 | 872,032 | 19,654,815 | 1,407,733 | 175,434,713 |
| **Liabilities** | | | | | | | |
| Deposits from customers | 98,539,067 | 15,441,132 | 197,779 | 127,565 | 3,066,411 | 903,759 | 118,275,713 |
| Deposits and placements of banks and other financial institutions | 7,235,240 | 972,217 | 40,655 | 378,985 | 10,939,244 | 307,853 | 19,874,194 |
| Obligations on securities sold under repurchase agreements | 6,754,208 | – | – | – | 668,061 | – | 7,422,269 |
| Bills and acceptances payable | 2,621,279 | 68,929 | – | 119 | 170 | 2,071 | 2,692,568 |
| Recourse obligation on loans sold to Cagamas | 4,990,773 | – | – | – | – | – | 4,990,773 |
| Provision for taxation and zakat | 645,856 | 202,903 | – | 2,009 | 4,746 | – | 855,514 |
| Subordinated obligations | 610,000 | – | – | – | 2,394,000 | – | 3,004,000 |
| Other liabilities | 2,662,438 | 192,294 | 27,713 | 4,050 | 219,037 | 34,871 | 3,140,403 |
| **Total Liabilities** | 124,058,861 | 16,877,475 | 266,147 | 512,728 | 17,291,669 | 1,248,554 | 160,255,434 |
| **On-balance sheet open position** | 10,915,563 | 1,513,176 | (131,089) | 359,304 | 2,363,146 | 159,179 | 15,179,279 |
| **Off-balance sheet open position** | 2,541,413 | (82,773) | 69,513 | (319,452) | (1,964,358) | (244,343) | – |
| **Net open position** | 13,456,976 | 1,430,403 | (61,576) | 39,852 | 398,788 | (85,164) | 15,179,279 |
| **Net structural position included in the above** | – | – | 9,792 | 37,999 | – | 333,112 | 380,903 |

Net structural foreign currency position represents the Group's and the Bank's net investment in overseas operations. This position comprises the net assets of the Group's and the Bank's overseas branches, investments in overseas subsidiaries and long term investments in overseas properties.

Where possible, the Group and the Bank mitigate the effect of currency exposures by funding the overseas operations with borrowings and deposits received in the same functional currencies of the respective overseas locations. The foreign currency exposures are also hedged using foreign exchange derivatives.

## 39. FOREIGN EXCHANGE RISK (CONT'D.)

The structural currency exposures of the Group and the Bank as at the balance sheet dates are as follows:

| | Structural currency exposures in overseas operations RM'000 | Hedges by funding in respective currencies RM'000 | Other currency hedges RM'000 | Net structural currency exposures RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| Currency of structural exposures | | | | |
| **2006** | | | | |
| Singapore Dollar | 240,251 | – | (240,251) | – |
| Great Britain Pound | 38,703 | – | – | 38,703 |
| Hong Kong Dollar | 135,459 | – | – | 135,459 |
| United States Dollar | 787,656 | (787,656) | – | – |
| Others | 311,746 | – | – | 311,746 |
| | 1,513,815 | (787,656) | (240,251) | 485,908 |
| **2005** | | | | |
| Singapore Dollar | 148,439 | – | (148,439) | – |
| Great Britain Pound | 9,792 | – | – | 9,792 |
| Hong Kong Dollar | 55,630 | – | – | 55,630 |
| United States Dollar | 1,270,483 | (1,270,483) | – | – |
| Others | 281,332 | – | – | 281,332 |
| | 1,765,676 | (1,270,483) | (148,439) | 346,754 |
| **Bank** | | | | |
| Currency of structural exposures | | | | |
| **2006** | | | | |
| Singapore Dollar | 240,251 | – | (240,251) | – |
| Great Britain Pound | 18,434 | – | – | 18,434 |
| Hong Kong Dollar | 106,236 | – | – | 106,236 |
| United States Dollar | 76,538 | (76,538) | – | – |
| Others | 338,327 | – | – | 338,327 |
| | 779,786 | (76,538) | (240,251) | 462,997 |
| **2005** | | | | |
| Singapore Dollar | 148,306 | – | (148,306) | – |
| Great Britain Pound | 9,792 | – | – | 9,792 |
| Hong Kong Dollar | 37,999 | – | – | 37,999 |
| United States Dollar | 34,302 | (34,302) | – | – |
| Others | 333,112 | – | – | 333,112 |
| | 563,511 | (34,302) | (148,306) | 380,903 |

## 40. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments comprise financial assets, financial liabilities and also off-balance sheet derivatives. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. The information presented herein represents best estimates of fair values of financial instruments at the balance sheet date.

Loans, advances and financing to customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and the Bank's financial instruments, including loans, advances and financing to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sale transaction at the balance sheet date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and the Bank as a going concern.

The on-balance sheet financial assets and financial liabilities of the Group and the Bank whose fair values are required to be disclosed in accordance with MASB FRS132 (formerly known as MASB Standard 24) comprise all its assets and liabilities with the exception of investments in subsidiaries, investments in associated companies, property, plant and equipment, provision for current and deferred taxation, life and family takaful fund assets, and life and family takaful fund liabilities. The information on the fair values of financial assets and financial liabilities of the life and family takaful fund is disclosed in Note 47.

## 40. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the balance sheet date approximate their carrying amounts as shown in the balance sheets, except for the following financial assets and liabilities:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Carrying Value RM'000 | Fair Value RM'000 | Carrying Value RM'000 | Fair Value RM'000 |
| **Group** | | | | |
| Financial Assets | | | | |
| Securities held-to-maturity | 5,798,259 | 5,818,797 | – | – |
| Dealing securities | – | – | 629,110 | 629,110 |
| Investment securities | – | – | 27,631,906 | 28,410,286 |
| Loans, advances and financing* | 133,868,727 | 149,900,032 | 122,404,170 | 133,633,484 |
| Financial Liabilities | | | | |
| Deposits from customers | 136,217,976 | 136,368,174 | 131,068,045 | 131,065,970 |
| Deposits and placements of banks and other financial institutions | 28,707,575 | 28,450,297 | 18,361,182 | 17,853,230 |
| Recourse obligation on loans sold to Cagamas | 3,727,458 | 3,795,767 | 4,990,773 | 5,144,748 |
| Subordinated obligations | 3,896,880 | 3,949,646 | 3,004,000 | 3,146,104 |
| **Bank** | | | | |
| Financial Assets | | | | |
| Securities held-to-maturity | 3,268,867 | 3,259,579 | – | – |
| Dealing securities | – | – | 230,617 | 230,617 |
| Investment securities | – | – | 21,897,560 | 22,534,351 |
| Loans, advances and financing* | 125,589,998 | 146,489,697 | 118,077,708 | 129,708,352 |
| Financial Liabilities | | | | |
| Deposits from customers | 125,137,436 | 125,141,385 | 118,275,713 | 118,273,639 |
| Deposits and placements of banks and other financial institutions | 28,037,862 | 27,778,365 | 19,874,194 | 19,366,242 |
| Recourse obligation on loans sold to Cagamas | 3,727,458 | 3,795,767 | 4,990,773 | 5,144,748 |
| Subordinated obligations | 3,896,880 | 3,949,646 | 3,004,000 | 3,138,823 |

* The general allowance for the Group and the Bank amounting to RM2,415,073,000 (2005: RM2,810,356,000) and RM2,258,397,000 (2005: RM2,596,076,000) respectively have been added back to arrive at the carrying value of the loans, advances and financing.

The fair values of unrecognised financial instruments at the balance sheet date are as follows:

| | 2006 | | | 2005 | | |
|---|---|---|---|---|---|---|
| | Nominal Amount RM'000 | Fair Value – Assets RM'000 | Fair Value – Liabilities RM'000 | Nominal Amount RM'000 | Fair Value – Assets RM'000 | Fair Value – Liabilities RM'000 |
| **Group** | | | | | | |
| Derivative financial instruments | | | | | | |
| Foreign exchange contracts: | | | | | | |
| – Forwards | 7,675,369 | 104,925 | (63,108) | 7,270,672 | 32,672 | (18,019) |
| – Swaps | 19,151,437 | 96,595 | (116,677) | 18,451,878 | 36,060 | (47,742) |
| – Options | 111,280 | 58 | (57) | 185,187 | 108 | (72) |
| Interest rate contracts | | | | | | |
| – Futures | – | – | – | 32,000 | 3 | (6) |
| – Swaps | 23,325,373 | 284,827 | (204,298) | 16,247,274 | 64,195 | (109,587) |
| **Bank** | | | | | | |
| Derivative financial instruments | | | | | | |
| Foreign exchange contracts: | | | | | | |
| – Forwards | 7,675,369 | 74,731 | (42,925) | 7,085,485 | 32,672 | (18,019) |
| – Swaps | 18,990,829 | 64,295 | (68,699) | 18,433,485 | 36,060 | (47,742) |
| – Options | 111,280 | 58 | (57) | 185,187 | 108 | (72) |
| Interest rate contracts | | | | | | |
| – Futures | – | – | – | 32,000 | 3 | (6) |
| – Swaps | 22,892,618 | 284,827 | (205,451) | 15,817,385 | 64,195 | (101,293) |

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

**(a) Cash and Short-term Funds**

The carrying amount approximates fair value due to the relatively short maturity of the financial instruments.

## 40. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

**(b) Deposits and Placements with Financial Institutions, Securities Purchased under Resale Agreement, Obligations on Securities Sold under Repurchase Agreement and Bills and Acceptances Payable**

The fair values of those financial instruments with remaining maturities of less than one year approximate their carrying values due to their relatively short maturities. For those financial instruments with maturities of more than one year, the fair values are estimated based on discounted cash flows using applicable prevailing market rates of similar remaining maturities at the balance sheet date.

**(c) Securities**

Fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including net tangible assets, earnings multiples and discounted cash flow analysis. Where discounted cash flow technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the balance sheet date.

**(d) Loans, Advances and Financing**

The fair values of variable rate loans are estimated to approximate their carrying values. For fixed rate loans and Islamic financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at balance sheet date offered for similar facilities to new borrowers with similar credit profiles. In respect of non-performing loans, the fair values are deemed to approximate the carrying values which are net of interest/income-in-suspense and specific provision for bad and doubtful debts and financing.

**(e) Deposits from Customers, Deposits and Placements of Banks and Other Financial Institutions**

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities. The fair value of Islamic deposits are estimated to approximate their carrying values as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.

**(f) Recourse Obligation on Loans Sold to Cagamas**

The fair values of recourse obligation on housing and hire purchase loans sold to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates as at balance sheet date.

**(g) Subordinated Obligations**

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing interest rates for borrowings with similar risks profiles.

**(h) Derivative Financial Instruments**

Fair values of derivative instruments are normally zero or negligible at inception and the subsequent change in value is favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The fair values of the Group's and the Bank's derivative instruments are estimated by reference to quoted market prices. Internal models are used where no market price is available.

## 41. CAPITAL AND OTHER COMMITMENTS

(a) Capital expenditure approved by directors but not provided for in the financial statements amounted to:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Approved and contracted for | 129,948 | 111,842 | 113,046 | 95,714 |
| Approved but not contracted for | 377,348 | 357,317 | 353,795 | 345,929 |
| | 507,296 | 469,159 | 466,841 | 441,643 |
| (b) Uncalled capital in shares of subsidiaries | – | – | 280 | 280 |

(c) The Bank and a subsidiary are committed to lend up to five times the nominal value of its investment in Export Credit Insurance Corporation of Singapore Limited ("ECIC") to meet claims arising as part of the export credit insurance business of the company. ECIC may, at its option, convert the whole or any part of any such loans into fully paid shares.

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Maximum commitments in respect of the investment in ECIC | 11,583 | 11,282 | 11,583 | 11,282 |

## 42. CAPITAL ADEQUACY

The capital adequacy ratios of the Group and the Bank as at 30 June, are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Without deducting proposed dividend*: | | | | |
| Core capital ratio: | | | | |
| Credit risk | 10.65% | 11.71% | 10.33% | 11.28% |
| Credit and market risks | 9.91% | 11.45% | 9.61% | 11.07% |
| Risk-weighted capital ratio: | | | | |
| Credit risk | 14.92% | 15.36% | 13.47% | 14.12% |
| Credit and market risks | 13.88% | 15.02% | 12.54% | 13.86% |
| After deducting proposed dividend: | | | | |
| Core capital ratio: | | | | |
| Credit risk | 10.01% | 10.50% | 9.62% | 10.00% |
| Credit and market risks | 9.31% | 10.27% | 8.96% | 9.81% |
| Risk-weighted capital ratio: | | | | |
| Credit risk | 14.27% | 14.15% | 12.77% | 12.84% |
| Credit and market risks | 13.28% | 13.84% | 11.89% | 12.61% |

* In arriving at the capital base used in the ratio calculations of the Group and the Bank, the proposed dividends for respective financial years were not deducted.

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| **Tier 1 capital** | | | | |
| Paid-up share capital | 3,796,947 | 3,721,053 | 3,796,947 | 3,721,053 |
| Share premium | 2,137,807 | 1,501,117 | 2,137,807 | 1,501,117 |
| Other reserves | 10,785,165 | 11,114,651 | 9,247,856 | 9,867,690 |
| Tier 1 minority interest | 217,385 | 215,226 | – | – |
| Less: Deferred tax assets | (1,177,568) | (963,946) | (1,120,495) | (911,752) |
| Total Tier 1 capital | 15,759,736 | 15,588,101 | 14,062,115 | 14,178,108 |
| **Tier 2 capital** | | | | |
| Subordinated obligations | 3,896,880 | 2,054,000 | 3,896,880 | 2,054,000 |
| General allowance for bad and doubtful debts and financing | 2,415,073 | 2,810,356 | 2,258,397 | 2,596,076 |
| Total Tier 2 capital | 6,311,953 | 4,864,356 | 6,155,277 | 4,650,076 |
| Total capital | 22,071,689 | 20,452,457 | 20,217,392 | 18,828,184 |
| Less: Investment in subsidiaries | – | – | #(1,873,793) | #(1,075,978) |
| Capital base | 22,071,689 | 20,452,457 | 18,343,599 | 17,752,206 |

\# Excludes the cost of investment in a subsidiary, Myfin Berhad of RM840,000,000, as its business, assets and liabilities have been transferred to the Bank in previous financial year.

The breakdown of risk-weighted assets (excluding deferred tax assets) in the various categories of risk-weights are as follows:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Principal RM'000 | Risk-Weighted RM'000 | Principal RM'000 | Risk-Weighted RM'000 |
| **Group** | | | | |
| 0% | 27,402,230 | – | 41,988,841 | – |
| 10% | 808,925 | 80,893 | 2,154,278 | 215,428 |
| 20% | 31,047,624 | 6,209,525 | 26,213,270 | 5,242,654 |
| 50% | 27,139,248 | 13,569,624 | 22,796,040 | 11,398,020 |
| 100% | 128,018,759 | 128,018,759 | 116,244,209 | 116,244,209 |
| Total risk-weighted assets for credit risk | | 147,878,801 | | 133,100,311 |
| Total risk-weighted assets for market risk | | 11,088,183 | | 2,977,403 |
| Total risk-weighted assets for credit and market risks | | 158,966,984 | | 136,077,714 |
| **Bank** | | | | |
| 0% | 21,423,761 | – | 35,597,130 | – |
| 10% | 11,800 | 1,180 | 1,507,386 | 150,739 |
| 20% | 21,711,919 | 4,342,384 | 18,341,947 | 3,668,389 |
| 50% | 27,095,465 | 13,547,733 | 22,759,884 | 11,379,942 |
| 100% | 118,199,058 | 118,199,058 | 110,474,595 | 110,474,595 |
| Total risk-weighted assets for credit risk | | 136,090,355 | | 125,673,665 |
| Total risk-weighted assets for market risk | | 10,115,829 | | 2,336,901 |
| Total risk-weighted assets for credit and market risks | | 146,206,184 | | 128,010,566 |

## 43. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments.

The primary format, business segment information, is prepared based on internal management reports, which are used by senior management for decision-making and performance management. The amounts for each business segment are shown after the allocation of certain centralised cost, funding income and the applicable transfer pricing where appropriate. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation. All inter-segment transactions are conducted at arm's length basis on normal commercial terms that are not more favourable than those generally available to public.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Capital expenditure comprises additions to property, plant and equipment.

**(a) Primary Segment – By Business Segment**

The Group comprises the following main business segments:

*(i) Banking*

The Banking segment focuses on business of banking in all its aspects which also include IBS operations. Its activities are generally structured into two key areas, Retail Financial Services ("RFS") and Enterprise Financial Services ("EFS").

RFS comprises the full range of products and services offered to individuals, including savings and fixed deposits, remittance services, current accounts, consumer loans such as housing loans and personal loans, unit trusts, bancassurance products and credit cards.

EFS provides a full range of financial services to business customers, ranging from large corporates and the public sector to small and medium enterprises. The products and services offered include long-term loans such as project financing, short-term credit such as overdrafts and trade financing, and fee-based services such as cash management and custodian services.

*(ii) Finance*

The business of finance subsidiary was transferred to the Bank in the previous financial year. The Finance segment focuses on the business of providing financing products and services (including IBS products and services) to individual customers and small and medium enterprises, concentrating on hire purchase financing, leasing, block discounting and other retail based loans products.

*(iii) Investment Banking*

The Investment Banking segment includes business of a merchant bank, discount house and securities broker. This segment focuses on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include direct lending, advisory banking services, bond issuance, equity financing, syndicated financing, mergers and acquisitions advisory services, debt restructuring advisory services, and share and futures dealings.

*(iv) Insurance and Takaful*

The insurance and takaful segment includes the business of underwriting all classes of general and life insurance businesses, offshore investment life insurance business, general takaful and family takaful businesses.

*(v) Others*

The "Others" segment includes asset and fund management, nominee and trustee services and custodian services.

| Group 2006 | Banking and Finance RM'000 | Investment Banking RM'000 | Insurance and Takaful RM'000 | Others RM'000 | Elimination RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|
| REVENUE | | | | | | |
| External revenue | 11,768,017 | 449,965 | 429,993 | 53,773 | – | 12,701,748 |
| Dividends from subsidiaries | 80,711 | 34,340 | 117,848 | 1,199 | (234,098) | – |
| Other inter-segment revenue | 231,818 | 19,676 | 28,705 | 26,374 | (306,573) | – |
| Total inter-segment revenue | 312,529 | 54,016 | 146,553 | 27,573 | (540,671) | – |
| Total revenue | 12,080,546 | 503,981 | 576,546 | 81,346 | (540,671) | 12,701,748 |
| Segment results – operating profit | 4,600,593 | 189,948 | 339,102 | 18,966 | (234,098) | 4,914,511 |
| Allowance for losses on loans, advances and financing | (898,988) | 16,620 | 76 | (1,113) | – | (883,405) |
| Share of results of associates | – | – | – | (499) | – | (499) |
| Profit before taxation and zakat | 3,701,605 | 206,568 | 339,178 | 17,354 | (234,098) | 4,030,607 |
| Taxation and zakat | (1,057,117) | (65,842) | (86,197) | (8,891) | 53,204 | (1,164,843) |
| Profit after taxation and zakat | 2,644,488 | 140,726 | 252,981 | 8,463 | (180,894) | 2,865,764 |
| Minority interests | | | | | | (62,166) |
| Net profit for the year | | | | | | 2,803,598 |

## 43. SEGMENT INFORMATION (CONT'D.)

**(a) Primary Segment – By Business Segment (Cont'd.)**

| Group 2006 | Banking and Finance RM'000 | Investment Banking RM'000 | Insurance and Takaful RM'000 | Others RM'000 | Elimination RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|
| ASSETS AND LIABILITIES | | | | | | |
| Segment assets | 207,993,082 | 11,186,034 | 16,750,624 | 1,058,700 | (12,792,734) | 224,195,706 |
| Investment in associates | 6,635 | – | – | 2,985 | – | 9,620 |
| Total assets | 207,999,717 | 11,186,034 | 16,750,624 | 1,061,685 | (12,792,734) | 224,205,326 |
| Total segment liabilities | 190,799,796 | 9,910,161 | 13,181,623 | 424,018 | (7,584,573) | 206,731,025 |
| OTHER INFORMATION | | | | | | |
| Capital expenditure | 161,953 | 1,065 | 7,174 | 156 | – | 170,348 |
| Depreciation | 160,944 | 5,826 | 11,971 | 2,981 | – | 181,722 |
| Non-cash expenses/ (income) other than depreciation | 105,431 | 6,274 | (2,856) | 24,679 | – | 133,528 |
| **Group 2005** | | | | | | |
| REVENUE | | | | | | |
| External revenue | 10,366,214 | 518,973 | 269,555 | 61,145 | – | 11,215,887 |
| Dividends from subsidiaries | 2,931,396 | 21,111 | 31,352 | 1,200 | (2,985,059) | – |
| Other inter-segment revenue | 141,882 | 7,652 | 23,807 | 17,544 | (190,885) | – |
| Total inter-segment revenue | 3,073,278 | 28,763 | 55,159 | 18,744 | (3,175,944) | – |
| Total revenue | 13,439,492 | 547,736 | 324,714 | 79,889 | (3,175,944) | 11,215,887 |
| Segment results – operating profit | 6,873,981 | 248,790 | 144,297 | 37,001 | (2,985,059) | 4,319,010 |
| Loan and financing loss and provisions | (737,601) | (94,755) | 9,505 | (963) | – | (823,814) |
| Share of results of associates | – | – | – | (704) | – | (704) |
| Profit before taxation and zakat | 6,136,380 | 154,035 | 153,802 | 35,334 | (2,985,059) | 3,494,492 |
| Taxation and zakat | (1,709,482) | (25,537) | (33,727) | (8,538) | 827,037 | (950,247) |
| Profit after taxation and zakat | 4,426,898 | 128,498 | 120,075 | 26,796 | (2,158,022) | 2,544,245 |
| Minority interests | | | | | | (41,719) |
| Net profit for the year | | | | | | 2,502,526 |
| ASSETS AND LIABILITIES | | | | | | |
| Segment assets | 187,080,016 | 10,973,432 | 5,283,241 | 298,022 | (11,759,499) | 191,875,212 |
| Investment in associates | 6,164 | – | – | 13,884 | – | 20,048 |
| Total assets | 187,086,180 | 10,973,432 | 5,283,241 | 311,906 | (11,759,499) | 191,895,260 |
| Total segment liabilities | 170,141,103 | 9,584,975 | 3,950,914 | 166,828 | (8,802,313) | 175,041,507 |
| OTHER INFORMATION | | | | | | |
| Capital expenditure | 157,804 | 8,670 | 830 | 1,575 | – | 168,879 |
| Depreciation | 168,138 | 6,466 | 7,584 | 2,486 | – | 184,674 |
| Non-cash expenses/ (income) other than depreciation | 369,420 | 11,320 | (1,596) | 14,143 | – | 393,287 |

**(b) Secondary Segment – By Geographical Locations**

In presenting information on the basis of geographical segments, segment revenue is based on geographical locations of customers. Segment assets are based on the geographical locations of assets.

The Group has operations in Malaysia, Singapore, Indonesia, Philippines, Papua New Guinea, Brunei Darussalam, People's Republic of China, Hong Kong SAR, Vietnam, United Kingdom, United States of America, Cambodia and Bahrain.

## 43. SEGMENT INFORMATION (CONT'D.)

**(b) Secondary Segment – By Geographical Locations (Cont'd.)**

With the exception of Malaysia and Singapore, no other individual country contributed more than 5% of the consolidated revenue before operating expenses and of total assets.

| | External Revenue RM'000 | Capital Expenditure RM'000 | Segment Assets RM'000 | Profit before Taxation and Zakat RM'000 |
|---|---|---|---|---|
| **2006** | | | | |
| Malaysia | 10,561,712 | 148,153 | 185,489,415 | 3,633,927 |
| Singapore | 1,435,106 | 16,662 | 31,899,678 | 305,587 |
| Others | 1,245,602 | 5,533 | 19,608,967 | 325,192 |
| | 13,242,420 | 170,348 | 236,998,060 | 4,264,706 |
| Elimination | (540,672) | – | (12,792,734) | (234,099) |
| Group | 12,701,748 | 170,348 | 224,205,326 | 4,030,607 |
| **2005** | | | | |
| Malaysia | 12,723,811 | 149,840 | 165,367,948 | 6,151,746 |
| Singapore | 914,739 | 14,315 | 21,764,859 | 187,422 |
| Others | 753,281 | 4,724 | 16,521,952 | 140,383 |
| | 14,391,831 | 168,879 | 203,654,759 | 6,479,551 |
| Elimination | (3,175,944) | – | (11,759,499) | (2,985,059) |
| Group | 11,215,887 | 168,879 | 191,895,260 | 3,494,492 |

## 44. SIGNIFICANT EVENTS

**(a) Acquisition of MNI Holdings Berhad ("MNIH")**

During the year, the Group acquired 100.00% equity interest in MNI Holdings Berhad ("MNIH"), a company incorporated in Malaysia, for a total cash consideration of RM1,147,017,455. The acquisition was completed in the following manner:

*(i) Acquisition of 73.62% of the share capital of MNIH*

On 29 August 2005, a subsidiary of the Bank, Mayban Fortis Holdings Berhad ("MFHB"), entered into a Sale of Shares Agreement ("SSA") with Permodalan Nasional Berhad and Amanah Raya Nominees (Tempatan) Sdn Bhd – Skim Amanah Saham Bumiputera for the aggregate acquisition of 210,060,496 ordinary shares of RM1.00 each, representing approximately 73.62% of the share capital of MNI Holdings Berhad ("MNIH"), for a cash consideration of RM4.02 per MNIH ordinary share totalling approximately RM844.4 million. The acquisition was completed on 13 December 2005.

*(ii) Mandatory General Offer ("MGO") and compulsory acquisition of remaining shares*

Subsequent to the completion of the acquisition and pursuant to Practice Note 2.2 of the Code of Take-Overs and Mergers, 1998, MFHB made an unconditional Mandatory General Offer ("MGO") for all the remaining ordinary shares of RM1.00 each in MNIH not already owned by MFHB at a cash offer price of RM4.02 per MNIH ordinary share. At the close of the MGO on 3 March 2006, MFHB collectively held approximately 98.84% of the issued and paid-up share capital of MNIH. As the level of acceptances received by MFHB exceeded nine-tenth (9/10) of the nominal value of the MNIH shares not already owned by MFHB before the MGO, MFHB invoked the provision of Section 34 of the Securities Commission Act, 1993 to compulsorily acquire the remaining 1.16% MNIH shares.

The acquisition of additional 75,267,229 MNIH ordinary shares under the MGO and compulsory acquisition for a total cash consideration of approximately RM302.6 million was completed on 17 May 2006. As a result, MFHB's equity interest in MNIH increased to 100.00%.

*(iii) General Offer ("GO")*

Subsequent to the completion of the acquisition of MNIH by MFHB:

- MNIH made a General Offer ("GO") for all the remaining ordinary shares of RM1.00 each in Malaysia National Insurance Berhad ("MNIB") not already owned by MNIH at a cash offer price of RM6.83 per MNIB ordinary share ("MNIB GO").

  MNIB is a 98.59% subsidiary of MNIH prior to the GO. The acquisition of the additional 2,151,399 MNIB ordinary shares under the MNIB GO for a cash consideration of RM19,878,927 was completed before the end of the financial year. As a result, MNIH's equity interest in MNIB increased to 100.00%.

- MNIB made a General Offer ("GO") for all the remaining ordinary shares of RM1.00 each in Takaful Nasional Sdn Berhad ("TNSB") not already owned by MNIB at a cash offer price of RM3.80 per TNSB ordinary share. TNSB is an 80.00% subsidiary of MNIB prior to the GO. The acquisition of the additional 20,000,000 TNSB ordinary shares under the TNSB GO for a cash consideration of RM76,000,000 was completed before the end of the financial year. As a result, MNIB's equity interest in TNSB increased to 100.00%.

**(b) Increase in the Bank's equity interest in Aseambankers Malaysia Berhad ("Aseambankers")**

During the December 2005 quarter, the Bank completed the acquisition of an additional 7,517,400 ordinary shares of RM1.00 each in Aseambankers for a total cash consideration of RM83.3 million. As a result, the Bank's equity interest in Aseambankers increased from 79.69% to 94.69%.

**(c) Transfer of businesses of Aseamlease Berhad and Aseam Credit Sdn Bhd to the Bank**

The businesses of two wholly-owned subsidiaries of the Bank, Aseamlease Berhad and Aseam Credit Sdn Bhd, were transferred to the Bank with effect from 2 November 2005.

## 44. SIGNIFICANT EVENTS (CONT'D.)

**(d) Investment Bank Rationalisation Programme**

On 28 June 2006, a subsidiary, Aseambankers Malaysia Berhad ("Aseambankers"), has obtained approval from the Ministry of Finance on its rationalisation plan, involving the merger of Aseambankers and two other subsidiaries i.e. Mayban Discount Berhad ("MDB") and Mayban Securities Sendirian Berhad ("MSSB") to form an investment bank. The merger integration will involve the purchase of 100% equity in another subsidiary of the Bank i.e. Mayban Securities (Holdings) Sendirian Berhad (the immediate holding company of MSSB) by Aseambankers, the sale of all assets and liabilities of MDB and MSSB to Aseambankers, and the sale of non-investment banking related loans by Aseambankers to the Bank.

A one year period from the date of approval has been granted for the complete implementation of the rationalisation scheme. The finalisation of the rationalisation plan is subject to approvals on requisite vesting orders from the High Court of Malaya and dealer's license from the Securities Commission.

**(e) Cease of negotiations on tie-up with BinaFikir Sdn Bhd ("BinaFikir")**

During the financial year, the Bank and BinaFikir mutually agreed to cease negotiations on any tie up with the Bank's merchant banking subsidiary, Aseambankers.

**(f) Disposal of Mayban Unit Trust Berhad ("MUTB")**

On 27 May 2006, the Group entered into a Sale and Purchase Agreement ("SPA") to sell its entire 100% stake in MUTB to Amanah Saham Nasional Berhad. A timeframe of six months was given for the completion of the conditions precedent, within which period the proceeds from sale of the shares will be received by the Group.

**(g) Acquisition of Kewangan Bersatu Berhad ("KBB")**

On 14 March 2006, the Bank entered into a Business Transfer Agreement with Bank Negara Malaysia ("BNM") for the transfer of net liabilities of KBB to the Bank, for which BNM will indemnify the Bank for an amount of RM513.4 million. The transfer is subject to the approval by the Ministry of Finance ("MoF") and application to the court for the vesting order.

**(h) Acquisition of American Express (Malaysia) Sdn. Bhd. ("AMEX")'s trade related assets**

On 3 March 2006, the Bank entered into an agreement with AMEX to acquire the trade related assets of AMEX for a consideration of USD22 million and a further amount to be paid based on AMEX's net receivables from the card business as at 31 August 2006. The acquisition is expected to be completed within 18 months from the date of signing of the agreement subject to the stipulated conditions precedent.

**(i) Rights issue by Mayban Fortis Holdings Berhad ("MFHB")**

During the financial year, MFHB issued 65,603,540 new ordinary shares of RM1.00 each at an issue price of RM4.00 per share for cash and 730,000,000 new Redeemable Convertible Preference Shares ("RCPS") of RM0.01 each at an issue price of RM1.00 per share for cash. The share premium arising from the issues amounted to RM919,510,620. The share issues were made to fund the acquisition of MNIH and were offered to, and taken up in exact proportion by, the existing shareholders prior to the new issues. The new ordinary shares issued rank pari passu with the existing ordinary shares of the MFHB.

## 45. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS")

### BALANCE SHEETS AS AT 30 JUNE 2006

| | Note | Group 2006 RM'000 | Group 2005 RM'000 | Bank 2006 RM'000 | Bank 2005 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and short-term funds | (a) | 3,274,879 | 2,644,671 | 3,055,980 | 2,264,460 |
| Deposits and placements with banks and other financial institutions | (b) | 340,069 | 467,066 | 340,069 | 340,990 |
| Securities portfolio | (c) | 2,643,072 | 3,401,307 | 2,373,834 | 3,019,940 |
| Loans and financing | (d) | 16,677,354 | 16,052,758 | 16,677,354 | 16,052,758 |
| Deferred tax assets | (e) | 235,560 | 235,516 | 234,063 | 230,410 |
| Other assets | | 19,369 | 14,176 | 15,937 | 9,543 |
| Statutory deposits with Bank Negara Malaysia | (f) | 421,000 | – | 421,000 | – |
| | | 23,611,303 | 22,815,494 | 23,118,237 | 21,918,101 |
| **LIABILITIES** | | | | | |
| Deposits from customers | (g) | 13,593,658 | 15,335,991 | 13,366,701 | 15,044,703 |
| Deposits and placements of banks and other financial institutions | (h) | 1,523,222 | 3,140,408 | 1,477,797 | 3,125,900 |
| Bills and acceptances payable | | 2,213,344 | 1,191,359 | 2,213,344 | 1,191,359 |
| Other liabilities | (i) | 1,732,792 | 1,169,572 | 1,729,914 | 1,156,729 |
| Provision for taxation and zakat | (k) | 171,671 | 171,593 | 171,385 | 165,017 |
| Subordinated obligations | (l) | 2,500,000 | – | 2,500,000 | – |
| | | 21,734,687 | 21,008,923 | 21,459,141 | 20,683,708 |
| **ISLAMIC BANKING CAPITAL FUNDS** | | | | | |
| Islamic banking funds | | 599,880 | 981,747 | 516,002 | 516,002 |
| Reserves | | 1,276,736 | 824,824 | 1,143,094 | 718,391 |
| | | 1,876,616 | 1,806,571 | 1,659,096 | 1,234,393 |
| | | 23,611,303 | 22,815,494 | 23,118,237 | 21,918,101 |
| **COMMITMENTS AND CONTINGENCIES** | (s) | 8,541,037 | 3,194,904 | 8,541,037 | 3,194,904 |

The accompanying notes form an integral part of the financial statements.

## 45. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

### INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

| | Note | Group 2006 RM'000 | Group 2005 RM'000 | Bank 2006 RM'000 | Bank 2005 RM'000 |
|---|---|---|---|---|---|
| Income derived from investment of depositors' funds | (m) | 1,231,801 | 1,183,691 | 1,204,516 | 1,063,847 |
| Expenses directly attributable to depositors and Islamic Banking Funds | | (29,876) | (15,924) | (28,921) | (15,924) |
| Transfer from/(to) profit equalisation reserve | | 106,718 | (83,731) | 96,776 | (79,207) |
| Gross attributable income | | 1,308,643 | 1,084,036 | 1,272,371 | 968,716 |
| Allowances for losses on financing, advances and other loans | (n) | (203,125) | (159,581) | (203,125) | (283,563) |
| Total attributable income | | 1,105,518 | 924,455 | 1,069,246 | 685,153 |
| Income attributable to the depositors | (o) | (455,055) | (429,601) | (450,249) | (395,918) |
| Income attributable to the Group/Bank | | 650,463 | 494,854 | 618,997 | 289,235 |
| Income derived from investment of Islamic Banking Funds: | | | | | |
| Gross investment income | (p) | 70,376 | 56,636 | 70,293 | 55,961 |
| Finance cost | | (36,605) | – | (36,605) | – |
| Net income from investment of Islamic Banking Funds | | 33,771 | 56,636 | 33,688 | 55,961 |
| | | 684,234 | 551,490 | 652,685 | 345,196 |
| Overhead expenses | (q) | (23,858) | (22,011) | (23,422) | (20,582) |
| Profit before taxation and zakat | | 660,376 | 529,479 | 629,263 | 324,614 |
| Taxation | (r) | (179,544) | (145,991) | (175,894) | (82,152) |
| Zakat | | (1,635) | (942) | (1,500) | (855) |
| Profit after taxation and zakat | | 479,197 | 382,546 | 451,869 | 241,607 |

For consolidation and amalgamation with the conventional operations, net income from Islamic Banking Scheme comprises the following items:

| | Group 2006 RM'000 | Group 2005 RM'000 | Bank 2006 RM'000 | Bank 2005 RM'000 |
|---|---|---|---|---|
| Gross attributable income | 1,308,643 | 1,084,036 | 1,272,371 | 968,716 |
| Net income from investment of Islamic Banking Funds | 33,771 | 56,636 | 33,688 | 55,961 |
| Total income before allowances for loan loss and overhead expenses | 1,342,414 | 1,140,672 | 1,306,059 | 1,024,677 |
| Income attributable to the depositors | (455,055) | (429,601) | (450,249) | (395,918) |
| Income from Islamic Banking Scheme operations reported in the Group-wide/Bank-wide income statement | 887,359 | 711,071 | 855,810 | 628,759 |

### STATEMENT OF CHANGES IN ISLAMIC BANKING FUND FOR THE YEAR ENDED 30 JUNE 2006

| Group | Islamic Banking Fund RM'000 | Statutory Reserves RM'000 | Unrealised Holding Reserve RM'000 | Exchange Fluctuation Reserve RM'000 | Retained Profits RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| | <---------- Non-distributable ----------> | | | | Distributable | |
| At 1 July 2004 | 533,359 | 3,836 | – | – | 762,572 | 1,299,767 |
| Net profit for the year | – | – | – | – | 382,546 | 382,546 |
| Transfer from Head Office | 448,388 | – | – | – | (324,130) | 124,258 |
| Transfer to statutory reserves | – | 6,015 | – | – | (6,015) | – |
| At 30 June 2005 (as previously stated) | 981,747 | 9,851 | – | – | 814,973 | 1,806,571 |
| Transitional adjustments (Note 3(ii)) | – | – | 9,621 | – | – | 9,621 |
| At 30 June 2005 (restated) | 981,747 | 9,851 | 9,621 | – | 814,973 | 1,816,192 |

## 45. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

| Group | Islamic Banking Fund RM'000 | Statutory Reserves RM'000 | Unrealised Holding Reserve RM'000 | Exchange Fluctuation Reserve RM'000 | Retained Profits RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| | <---------- Non-distributable ----------> | | | | Distributable | |
| Currency translation differences | – | – | – | (1,118) | – | (1,118) |
| Unrealised net loss on revaluation of securities available-for-sale | – | – | (35,788) | – | – | (35,788) |
| Net loss not recognised in the income statement | – | – | (35,788) | (1,118) | – | (36,906) |
| Net profit for the year | – | – | – | – | 479,197 | 479,197 |
| Transfer to Head Office | (381,867) | – | – | – | – | (381,867) |
| Transfer to statutory reserves | – | 1,851 | – | – | (1,851) | – |
| At 30 June 2006 | 599,880 | 11,702 | (26,167) | (1,118) | 1,292,319 | 1,876,616 |

The accompanying notes form an integral part of the financial statements.

| Bank | Islamic Banking Fund RM'000 | Unrealised Holding Reserve RM'000 | Exchange Fluctuation Reserve RM'000 | Retained Profits RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| | <---------- Non-distributable ----------> | | | Distributable | |
| At 1 July 2004 | 222,500 | – | – | 476,784 | 699,284 |
| Net profit for the year | – | – | – | 241,607 | 241,607 |
| Transfer from Head Office | 293,502 | – | – | – | 293,502 |
| At 30 June 2005 (as previously stated) | 516,002 | – | – | 718,391 | 1,234,393 |
| Transitional adjustments (Note 3(ii)) | – | 11,931 | – | – | 11,931 |
| At 30 June 2005 (restated) | 516,002 | 11,931 | – | 718,391 | 1,246,324 |
| Currency translation differences | – | – | 37 | – | 37 |
| Unrealised net loss on revaluation of securities available-for-sale | – | (39,134) | – | – | (39,134) |
| Net loss not recognised in the income statement | – | (39,134) | 37 | – | (39,097) |
| Net profit for the year | – | – | – | 451,869 | 451,869 |
| At 30 June 2006 | 516,002 | (27,203) | 37 | 1,170,260 | 1,659,096 |

The accompanying notes form an integral part of the financial statements.

### CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

| | Group 2006 RM'000 | Group 2005 RM'000 | Bank 2006 RM'000 | Bank 2005 RM'000 |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before taxation | 660,376 | 529,479 | 629,263 | 324,614 |
| Adjustments for: | | | | |
| Loan and financing loss and provisions | 251,699 | 184,901 | 251,699 | 305,900 |
| Accretion of discounts less amortisation of premiums of investment securities, net | (37,006) | (31,692) | (37,052) | (31,692) |
| Income-in-suspense | – | 45,388 | – | 41,600 |
| Gains on disposal of securities available-for-sale | (1,395) | 8,828 | (562) | – |
| Write-back of provision for diminution in value | – | (12,887) | – | – |
| Profit equalisation reserves | (106,718) | 83,731 | (96,776) | 79,207 |
| Operating profit before working capital changes | 766,956 | 807,748 | 746,572 | 719,629 |
| Change in deposits and placements with banks and other financial institutions | 126,997 | (377,496) | 921 | (276,020) |
| Change in loans and financing | (876,295) | (1,701,530) | (876,295) | (4,218,157) |
| Change in other assets | (5,193) | 11,155 | (6,394) | (4,759) |
| Change in statutory reserve | (421,000) | – | (421,000) | – |
| Change in deposits from customers | (1,742,333) | 3,597,905 | (1,678,002) | 5,087,346 |
| Change in deposits and placements of banks and other financial institutions | (1,617,186) | (1,087,339) | (1,648,103) | (875,099) |
| Change in bills and acceptances payable | 1,021,985 | (241,965) | 1,021,985 | (241,965) |
| Net disposal/(purchase) of securities | 769,351 | (254,327) | 656,554 | (937,187) |
| Change in other liabilities | 669,938 | (995,363) | 669,961 | 207,424 |
| Cash used in operations | (1,306,780) | (241,212) | (1,533,801) | (538,788) |
| Taxes and zakat paid | (181,145) | (151,296) | (174,679) | (95,423) |
| Net cash used in operating activities | (1,487,925) | (392,508) | (1,708,480) | (634,211) |

45. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (CONT'D.)

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| CASH FLOWS FROM FINANCING ACTIVITY | | | | |
| Funds transferred (to)/from Head Office | (381,867) | 124,258 | – | 293,502 |
| Funds from subordinated bonds | 2,500,000 | – | 2,500,000 | – |
| Net cash generated from financing activity | 2,118,133 | 124,258 | 2,500,000 | 293,502 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 630,208 | (268,250) | 791,520 | (340,709) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 2,644,671 | 2,912,921 | 2,264,460 | 2,605,169 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 3,274,879 | 2,644,671 | 3,055,980 | 2,264,460 |
| Cash and cash equivalents comprise: | | | | |
| Cash and short-term funds | 3,274,879 | 2,644,671 | 3,055,980 | 2,264,460 |

The accompanying notes form an integral part of the financial statements.

(a) CASH AND SHORT-TERM FUNDS

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Cash, balances and deposits with banks and other financial institutions | 3,274,879 | 2,644,671 | 3,055,980 | 2,264,460 |

(b) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Licensed banks | 290,000 | 126,076 | 290,000 | – |
| Licensed merchant banks | 50,000 | – | 50,000 | – |
| Bank Negara Malaysia | 69 | 340,990 | 69 | 340,990 |
| | 340,069 | 467,066 | 340,069 | 340,990 |

(c) SECURITIES PORTFOLIO

| | Note | Group | | Bank | |
|---|---|---|---|---|---|
| | | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Securities available-for-sale | (i) | 2,418,341 | – | 2,187,434 | – |
| Securities held-to-maturity | (ii) | 224,731 | – | 186,400 | – |
| Investment securities | (iii) | – | 3,401,307 | – | 3,019,940 |
| | | 2,643,072 | 3,401,307 | 2,373,834 | 3,019,940 |

Prior year comparative figures have not been restated in accordance with the newly adopted accounting policies for the reasons explained in Note 3(ii).

(i) Securities Available-for-Sale

| | 2006 | |
|---|---|---|
| | Group RM'000 | Bank RM'000 |
| At fair value | | |
| Money Market Instruments:- | | |
| Cagamas bonds | 152,195 | 152,195 |
| Foreign government treasury bills | 20,180 | 20,180 |
| Malaysian Government Investment Issues | 579,992 | 570,147 |
| Negotiable instruments of deposits | 695,850 | 695,850 |
| Bankers' acceptances and Islamic accepted bills | 139,725 | 139,725 |
| Khazanah bonds | 346,668 | 346,668 |
| | 1,934,610 | 1,924,765 |
| Unquoted Securities:- | | |
| Islamic debt securities in Malaysia | 25,044 | 14,350 |
| Foreign Islamic debt securities | 366,550 | 248,319 |
| Malaysia Global Sukuk | 92,137 | – |
| | 483,731 | 262,669 |
| Total securities available-for-sale | 2,418,341 | 2,187,434 |

45. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(c) SECURITIES PORTFOLIO (CONT'D.)

(ii) Securities Held-to-Maturity

| | 2006 | |
|---|---|---|
| | Group RM'000 | Bank RM'000 |
| At amortised cost | | |
| Money Market Instruments:- | | |
| Malaysian Government Investment Issues | 183,904 | 183,904 |
| Khazanah bonds | 4,925 | 2,496 |
| | 188,829 | 186,400 |
| Unquoted Securities:- | | |
| Islamic debt securities in Malaysia | 35,902 | – |
| Total securities held-to-maturity | 224,731 | 186,400 |
| Indicative value of unquoted securities held-to-maturity: | | |
| Malaysian Government Investment Issues | 182,647 | 182,647 |
| Khazanah bonds | 4,965 | 2,507 |
| Islamic debt securities in Malaysia | 37,141 | – |
| | 224,753 | 185,154 |

(iii) Investment Securities

| | 2005 | |
|---|---|---|
| | Group RM'000 | Bank RM'000 |
| Carried at the basis stated in Note 3(vi)(e) | | |
| Money market instruments:- | | |
| Cagamas Mudharabah bonds | 153,859 | 153,859 |
| Malaysian Government Investment Issues | 723,326 | 723,326 |
| Negotiable Islamic instruments of deposits | 1,406,674 | 1,377,261 |
| Islamic accepted bills | 381,830 | 381,830 |
| Khazanah bonds | 371,598 | 369,314 |
| Total money market instruments | 3,037,287 | 3,005,590 |
| Unquoted securities in Malaysia:- | | |
| Islamic debt securities | 274,978 | 14,350 |
| Malaysia Global Sukuk | 95,042 | – |
| | 370,020 | 14,350 |
| Provision for diminution in value of Islamic debt securities | (6,000) | – |
| | 3,401,307 | 3,019,940 |

Indicative value of unquoted securities:

| | 2005 | |
|---|---|---|
| | Group RM'000 | Bank RM'000 |
| Cagamas Mudharabah bonds | 161,307 | 161,307 |
| Malaysian Government Investment Issues | 726,507 | 726,507 |
| Khazanah bonds | 373,011 | 370,616 |
| Islamic debt securities | 374,436 | 14,350 |

The carrying values of Islamic accepted bills and negotiable Islamic instruments of deposits as at previous financial year end approximate the market value due to their relatively short maturity.

The maturity structure of money market instruments available-for-sale and held-to-maturity (2005: investment securities) are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Maturing within one year | 1,098,911 | 1,789,286 | 1,096,482 | 1,759,872 |
| One year to three years | 632,335 | 502,502 | 622,490 | 500,218 |
| Three years to five years | 344,141 | 575,853 | 344,141 | 575,854 |
| After five years | 48,052 | 169,646 | 48,052 | 169,646 |
| | 2,123,439 | 3,037,287 | 2,111,165 | 3,005,590 |

## 45. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

### (d) LOANS AND FINANCING

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Overdrafts | 1,425,584 | 1,264,728 | 1,425,584 | 1,264,728 |
| Term financing | | | | |
| – House financing | 5,322,322 | 5,462,537 | 5,322,322 | 5,462,537 |
| – Syndicated financing | 173,389 | – | 173,389 | – |
| – Hire purchase receivables | 3,730,523 | 3,163,724 | 3,730,523 | 3,163,724 |
| – Other term financing | 12,244,460 | 13,000,770 | 12,244,460 | 13,000,770 |
| Trust receipts | 166,766 | 209,082 | 166,766 | 209,082 |
| Other financing | 3,684,397 | 3,318,649 | 3,684,397 | 3,318,649 |
| | 26,747,441 | 26,419,490 | 26,747,441 | 26,419,490 |
| Unearned income | (9,055,236) | (9,353,925) | (9,055,236) | (9,353,925) |
| Gross loans and financing | 17,692,205 | 17,065,565 | 17,692,205 | 17,065,565 |
| Allowance for bad and doubtful debts and financing | | | | |
| – Specific | (390,937) | (277,770) | (390,937) | (277,770) |
| – General | (623,914) | (609,375) | (623,914) | (609,375) |
| Income-in-suspense* | – | (125,662) | – | (125,662) |
| Net loans and financing | 16,677,354 | 16,052,758 | 16,677,354 | 16,052,758 |

* In accordance with the revised BNM/GP8, income accrued on non-performing loans which have not been collected is set off against the gross loan balance.

(i) Loans and financing analysed by concepts are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Bai' Bithaman Ajil | 10,107,838 | 10,384,471 | 10,107,838 | 10,384,471 |
| Ijarah | 3,733,860 | 3,163,724 | 3,733,860 | 3,163,724 |
| Murabahah | 3,832,533 | 3,505,775 | 3,832,533 | 3,505,775 |
| Other principles | 17,974 | 11,595 | 17,974 | 11,595 |
| Gross loans and financing | 17,692,205 | 17,065,565 | 17,692,205 | 17,065,565 |

(ii) Loans and financing analysed by type of customers are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Domestic banking institutions | – | 671 | – | 671 |
| Domestic non-banking institutions | 1,274,463 | 1,203,967 | 1,274,463 | 1,203,967 |
| Domestic business enterprises | | | | |
| – Small and medium enterprises | 3,420,141 | 2,872,029 | 3,420,141 | 2,872,029 |
| – Others | 3,244,199 | 3,383,669 | 3,244,199 | 3,383,669 |
| Government and statutory bodies | 110,085 | 112,203 | 110,085 | 112,203 |
| Individuals | 9,306,169 | 9,340,712 | 9,306,169 | 9,340,712 |
| Other domestic entities | 130,487 | 8,175 | 130,487 | 8,175 |
| Foreign entities | 206,661 | 18,477 | 206,661 | 18,477 |
| | 17,692,205 | 16,939,903 | 17,692,205 | 16,939,903 |
| Transitional adjustment: (Note 3(ii)(c)) | | | | |
| Income-in-suspense | – | 125,662 | – | 125,662 |
| Gross loans and financing | 17,692,205 | 17,065,565 | 17,692,205 | 17,065,565 |

(iii) Loans and financing analysed by profit rate sensitivity are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Fixed rate | | | | |
| – Housing financing | 5,259,518 | 5,373,328 | 5,259,518 | 5,373,328 |
| – Hire purchase receivables | 2,949,348 | 2,842,979 | 2,949,348 | 2,842,979 |
| – Other financing | 3,904,501 | 3,961,475 | 3,904,501 | 3,961,475 |
| Variable rate | | | | |
| – Housing financing | 62,621 | 92,732 | 62,621 | 92,732 |
| – Other financing | 5,516,217 | 4,669,389 | 5,516,217 | 4,669,389 |
| | 17,692,205 | 16,939,903 | 17,692,205 | 16,939,903 |
| Transitional adjustment: (Note 3(ii)(c)) | | | | |
| Income-in-suspense* | – | 125,662 | – | 125,662 |
| Gross loans and financing | 17,692,205 | 17,065,565 | 17,692,205 | 17,065,565 |

* In accordance with the revised BNM/GP8, income accrued on non-performing loans which have not been collected is set off against the gross loan balance.

## 45. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

### (d) LOANS AND FINANCING (CONT'D.)

(iv) Loans and financing analysed by their economic purposes are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Agriculture, hunting, forestry and fishing | 337,476 | 329,635 | 337,476 | 329,635 |
| Mining and quarrying | 74,468 | – | 74,468 | – |
| Manufacturing | 2,634,008 | 2,256,563 | 2,634,008 | 2,256,563 |
| Electricity, gas and water | 57,678 | 119,931 | 57,678 | 119,931 |
| Construction | 706,363 | 577,205 | 706,363 | 577,205 |
| Real estate | 281,003 | 241,871 | 281,003 | 241,871 |
| Purchase of landed properties: | | | | |
| – Residential | 6,426,983 | 6,764,056 | 6,426,983 | 6,764,056 |
| – Non-residential | 910,399 | 726,618 | 910,399 | 726,618 |
| Less: Islamic loans sold to Cagamas | (448,185) | (477,300) | (448,185) | (477,300) |
| Wholesale and retail trade, restaurants and hotels | 1,504,855 | 1,503,183 | 1,504,855 | 1,503,183 |
| Transport, storage and communication | 597,786 | 255,945 | 597,786 | 255,945 |
| Finance, insurance and business services | 1,550,241 | 1,188,206 | 1,550,241 | 1,188,206 |
| Purchase of securities | 125,732 | 132,768 | 125,732 | 132,768 |
| Purchase of transport vehicles | 3,099,569 | 2,783,431 | 3,099,569 | 2,783,431 |
| Less: Islamic loans sold to Cagamas | (1,127,571) | (270,216) | (1,127,571) | (270,216) |
| Consumption credit | 423,360 | 442,060 | 423,360 | 442,060 |
| Others | 538,040 | 491,609 | 538,040 | 491,609 |
| Gross loans and financing | 17,692,205 | 17,065,565 | 17,692,205 | 17,065,565 |

(v) The maturity structure of loans and financing is as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Maturing within one year | 5,643,151 | 4,911,346 | 5,643,151 | 4,911,346 |
| One year to three years | 419,034 | 298,168 | 419,034 | 298,168 |
| Three years to five years | 1,812,820 | 1,358,110 | 1,812,820 | 1,358,110 |
| After five years | 9,817,200 | 10,497,941 | 9,817,200 | 10,497,941 |
| Gross loans and financing | 17,692,205 | 17,065,565 | 17,692,205 | 17,065,565 |

(vi) Movements in the non-performing loans and financing (including income receivables) are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Gross balance at beginning of year | 1,291,218 | 1,143,498 | 1,291,218 | 918,641 |
| Classified during the year | 915,069 | 1,092,450 | 915,069 | 1,002,592 |
| Transfer from the finance subsidiary | – | – | – | 256,222 |
| Recovered/regularised during the year | (760,408) | (777,987) | (760,408) | (722,512) |
| Expenses debited to customers' accounts | 6,802 | 2,774 | 6,802 | 2,774 |
| Amount written off | (88,740) | (43,855) | (88,740) | (40,837) |
| Gross balance at end of year | 1,363,941 | 1,416,880 | 1,363,941 | 1,416,880 |
| Less: | | | | |
| – Income-in-suspense* | – | (125,662) | – | (125,662) |
| | 1,363,941 | 1,291,218 | 1,363,941 | 1,291,218 |
| Less: | | | | |
| – Specific allowance | (390,937) | (277,770) | (390,937) | (277,770) |
| Net non-performing loans and financing | 973,004 | 1,013,448 | 973,004 | 1,013,448 |

## 45. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

### (d) LOANS AND FINANCING (CONT'D.)

(vi) Movements in the non-performing loans and financing (including income receivables) are as follows: (Cont'd.)

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Gross loans and financing | 17,692,205 | 17,065,565 | 17,692,205 | 17,065,565 |
| Add: Loans sold to Cagamas | 1,575,756 | 747,516 | 1,575,756 | 747,516 |
| | 19,267,961 | 17,813,081 | 19,267,961 | 17,813,081 |
| Less: | | | | |
| – Specific allowance | (390,937) | (277,770) | (390,937) | (277,770) |
| – Income-in-suspense* | – | (125,662) | – | (125,662) |
| Net loans and financing (including loans sold to Cagamas) | 18,877,024 | 17,409,649 | 18,877,024 | 17,409,649 |
| Ratio of net non-performing loans | 5.15% | 5.82% | 5.15% | 5.82% |

* In accordance with the revised BNM/GP8, income accrued on non-performing loans which have not been collected is set off against the gross loan balance.

(vii) Non-performing loans analysed by their economic purposes are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Agriculture, hunting, forestry and fishing | 2,216 | 1,613 | 2,216 | 1,613 |
| Mining and quarrying | – | – | – | – |
| Manufacturing | 45,743 | 26,529 | 45,743 | 26,529 |
| Electricity, gas and water | 34 | – | 34 | – |
| Construction | 242,426 | 136,326 | 242,426 | 136,326 |
| Real estate | 5,027 | 4,486 | 5,027 | 4,486 |
| Purchase of landed properties: | | | | |
| – Residential | 736,422 | 757,301 | 736,422 | 757,301 |
| – Non-residential | 62,049 | 62,430 | 62,049 | 62,430 |
| Wholesale and retail trade, restaurants and hotels | 45,757 | 34,290 | 45,757 | 34,290 |
| Transport, storage and communication | 3,776 | 1,917 | 3,776 | 1,917 |
| Finance, insurance and business services | 36,441 | 32,306 | 36,441 | 32,306 |
| Purchase of securities | 53,661 | 60,511 | 53,661 | 60,511 |
| Purchase of transport vehicles | 35,032 | 42,775 | 35,032 | 42,775 |
| Consumption credit | 46,388 | 44,129 | 46,388 | 44,129 |
| Others | 48,969 | 86,605 | 48,969 | 86,605 |
| | 1,363,941 | 1,291,218 | 1,363,941 | 1,291,218 |

(viii) Movements in the provision for bad and doubtful debts and financing accounts are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| **Specific allowance** | | | | |
| Balance at beginning of year | 277,770 | 217,866 | 277,770 | 121,607 |
| Allowance made during the year | 257,678 | 162,000 | 257,678 | 129,592 |
| Transfer from the finance subsidiary | – | – | – | 110,547 |
| Amount written back in respect of recoveries | (54,187) | (69,882) | (54,187) | (54,497) |
| Amount written off | (88,656) | (36,974) | (88,656) | (34,238) |
| Transfer to general allowance | (1,668) | – | (1,668) | – |
| Transfer from specific allowance for restructured/rescheduled loans and financing | – | 4,760 | – | 4,759 |
| Balance at end of year | 390,937 | 277,770 | 390,937 | 277,770 |
| **General allowance** | | | | |
| Balance at beginning of year | 609,375 | 534,031 | 609,375 | 395,910 |
| Allowance made during the year | 12,871 | 75,344 | 12,871 | 213,465 |
| Transfer from specific allowance | 1,668 | – | 1,668 | – |
| Balance at end of year | 623,914 | 609,375 | 623,914 | 609,375 |

## 45. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

### (d) LOANS AND FINANCING (CONT'D.)

(viii) Movements in the provision for bad and doubtful debts and financing accounts are as follows: (Cont'd.)

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| As a percentage of total loans (including Islamic loans sold to Cagamas (less specific allowance and income-in-suspense for 2005)) | 3.31% | 3.50% | 3.31% | 3.50% |
| As a percentage of total risk-weighted assets for credit risk, excluding deferred tax assets | 3.43% | 3.94% | 3.47% | 4.02% |

### (e) DEFERRED TAX ASSETS

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| At 1 July 2005/2004 | (235,516) | (203,058) | (230,410) | (148,462) |
| Recognised in the income statement (Note 45(r)) | 15,218 | (32,458) | 11,694 | (81,948) |
| Recognised in equity | (10,494) | – | (10,579) | – |
| Transfer from provision for taxation | (4,768) | – | (4,768) | – |
| At 30 June 2006/2005 | (235,560) | (235,516) | (234,063) | (230,410) |
| Presented after appropriate offsetting as follows: | | | | |
| Deferred tax assets, net | (235,560) | (235,516) | (234,063) | (230,410) |

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net deferred tax assets shown in the balance sheet have been determined after appropriate offsetting.

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

**Deferred Tax Assets of the Group:**

| | Loan Loss and Allowances and Income Suspended RM'000 | Provision for Diminution in Value of Investments, Amortisation of Premiums and Unrealised Holding Reserve RM'000 | Other Temporary Difference RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 July 2005 | (170,626) | (1,680) | (63,210) | (235,516) |
| Recognised in the income statement | (15,403) | 560 | 30,061 | 15,218 |
| Recognised in equity | – | (10,494) | – | (10,494) |
| Transfer from provision for taxation | (4,768) | – | – | (4,768) |
| At 30 June 2006 | (190,797) | (11,614) | (33,149) | (235,560) |
| At 1 July 2004 | (151,665) | (4,480) | (46,913) | (203,058) |
| Recognised in the income statement | (18,961) | 2,800 | (16,297) | (32,458) |
| At 30 June 2005 | (170,626) | (1,680) | (63,210) | (235,516) |

**Deferred Tax Assets of the Bank:**

| | Loan Loss and Allowances and Income Suspended RM'000 | Unrealised Holding Reserve RM'000 | Other Temporary Difference RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 July 2005 | (170,625) | – | (59,785) | (230,410) |
| Recognised in the income statement | (15,403) | – | 27,097 | 11,694 |
| Recognised in equity | – | (10,579) | – | (10,579) |
| Transfer from provision for taxation | (4,768) | – | – | (4,768) |
| At 30 June 2006 | (190,796) | (10,579) | (32,688) | (234,063) |
| At 1 July 2004 | (110,854) | – | (37,608) | (148,462) |
| Recognised in the income statement | (59,771) | – | (22,177) | (81,948) |
| At 30 June 2005 | (170,625) | – | (59,785) | (230,410) |

## 45. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

### (f) STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits maintained with Bank Negara Malaysia are in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined as set percentages of total eligible liabilities.

### (g) DEPOSITS FROM CUSTOMERS

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| **Mudharabah Fund** | | | | |
| Demand deposits | 1,553,036 | 245 | 1,553,036 | – |
| General investment deposits | 4,331,794 | 5,047,202 | 4,150,301 | 4,756,159 |
| Special investment deposits | 632,524 | 525,114 | 632,524 | 525,114 |
| | 6,517,354 | 5,572,561 | 6,335,861 | 5,281,273 |
| **Non-Mudharabah Fund** | | | | |
| Demand deposits | 2,557,927 | 3,670,085 | 2,512,463 | 3,670,085 |
| Savings deposits | 2,647,960 | 2,264,203 | 2,647,960 | 2,264,203 |
| Negotiable instruments of deposits | 1,870,417 | 3,829,142 | 1,870,417 | 3,829,142 |
| | 7,076,304 | 9,763,430 | 7,030,840 | 9,763,430 |
| | 13,593,658 | 15,335,991 | 13,366,701 | 15,044,703 |

(i) The maturity structure of general and special investment deposits and negotiable instruments of deposits is as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Due within six months | 5,330,849 | 6,809,296 | 5,149,356 | 6,518,253 |
| Six months to one year | 882,842 | 1,488,439 | 882,842 | 1,488,439 |
| One year to three years | 195,178 | 920,796 | 195,178 | 920,796 |
| Three years to five years | 186,177 | 182,927 | 186,177 | 182,927 |
| After five years | 239,689 | – | 239,689 | – |
| | 6,834,735 | 9,401,458 | 6,653,242 | 9,110,415 |

(ii) The deposits are sourced from the following customers:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Business enterprises | 3,287,978 | 4,388,337 | 3,287,978 | 4,187,822 |
| Individuals | 4,383,871 | 3,806,650 | 4,202,378 | 3,806,650 |
| Government and statutory bodies | 2,369,566 | 2,536,914 | 2,369,566 | 2,536,914 |
| Others | 3,552,243 | 4,604,090 | 3,506,779 | 4,513,317 |
| | 13,593,658 | 15,335,991 | 13,366,701 | 15,044,703 |

### (h) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| **Mudharabah Fund** | | | | |
| Licensed banks | 882,550 | 1,120,122 | 882,550 | 1,127,200 |
| Licensed merchant banks | 145,500 | – | 145,500 | – |
| Other financial institutions | 109,658 | 79,840 | 64,233 | 58,255 |
| | 1,137,708 | 1,199,962 | 1,092,283 | 1,185,455 |
| **Non-Mudharabah Fund** | | | | |
| Licensed banks | 212,043 | 1,821,189 | 212,043 | 1,821,188 |
| Other financial institutions | 173,471 | 119,257 | 173,471 | 119,257 |
| | 385,514 | 1,940,446 | 385,514 | 1,940,445 |
| | 1,523,222 | 3,140,408 | 1,477,797 | 3,125,900 |

### (i) OTHER LIABILITIES

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Profit payable | 56,704 | 43,558 | 56,439 | 43,267 |
| Profit equalisation reserves (Note 45(j)) | 144,111 | 250,839 | 141,828 | 238,604 |
| Due to Head Office | 1,488,182 | 792,586 | 1,488,182 | 792,586 |
| Other creditors, provisions and accruals | 43,795 | 82,589 | 43,465 | 82,272 |
| | 1,732,792 | 1,169,572 | 1,729,914 | 1,156,729 |

## 45. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

### (j) PROFIT EQUALISATION RESERVES ("PER")

The movements in PER are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| At 1 July 2005/2004 | 250,839 | 167,108 | 238,604 | 134,311 |
| Transfer from the finance subsidiary | – | – | – | 25,086 |
| Amount arising during the year | 1,999 | 86,020 | 1,999 | 79,207 |
| Amount written back | (108,717) | (2,289) | (98,775) | – |
| Exchange difference | (10) | – | – | – |
| At 30 June 2006/2005 | 144,111 | 250,839 | 141,828 | 238,604 |

### (k) PROVISION FOR TAXATION AND ZAKAT

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Taxation | 169,094 | 170,421 | 168,968 | 164,100 |
| Zakat | 2,577 | 1,172 | 2,417 | 917 |
| | 171,671 | 171,593 | 171,385 | 165,017 |

### (l) SUBORDINATED OBLIGATIONS

| | Note | Group and Bank | |
|---|---|---|---|
| | | 2006 RM'000 | 2005 RM'000 |
| RM1,000 million subordinated Islamic bonds due in 2015 | (i) | 1,000,000 | – |
| RM1,500 million subordinated Islamic bonds due in 2018 | (ii) | 1,500,000 | – |
| | | 2,500,000 | – |

(i) On 24 November 2005, the Bank issued RM1.0 billion nominal value Islamic Subordinated Bonds under the Shariah principle of Bai' Bithaman Ajil. The Bonds are under a 10 non-callable 5 basis feature, with a profit rate of 4.48% per annum payable semi-annually in arrears in May and November each year, and are due in November 2015. Under the 10 non-callable 5 basis feature, the Bank has the option to redeem the Bonds on the 5th anniversary or any semi-annual date thereafter. Should the Bank decide not to exercise its option to redeem the Bonds, the holders of the Bonds will be entitled to an annual incremental step-up profit rate from the beginning of the 6th year to the final maturity date.

(ii) On 15 May 2006, the Bank issued RM1.5 billion nominal value Islamic Subordinated Bonds under the Shariah principle of Bai' Bithaman Ajil. The Bonds are under a 12 non-callable 7 basis feature, with a profit rate of 5.0% per annum payable semi-annually in arrears in May and November each year, and are due in May 2018. Under the 12 non-callable 7 basis feature, the Bank has the option to redeem the Bonds on the 7th anniversary or any semi-annual date thereafter. Should the Bank decide not to exercise its option to redeem the Bonds, the holders of the Bonds will be entitled to a permissible step-up profit rate from the beginning of the 8th year to the final maturity date.

All the Notes and Bonds above constitute unsecured liabilities of the Bank and are subordinated to the senior indebtedness of the Bank in accordance with the respective terms and conditions of their issues and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

### (m) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Income from investment of: | | | | |
| (i) General investment deposits | 381,858 | 378,781 | 373,400 | 340,431 |
| (ii) Other deposits | 849,943 | 804,910 | 831,116 | 723,416 |
| | 1,231,801 | 1,183,691 | 1,204,516 | 1,063,847 |

(i) Income derived from investment of general investment deposits

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| **Finance income and hibah** | | | | |
| Financing, advances and other loans | 323,974 | 316,574 | 322,372 | 297,421 |
| Securities available-for-sale (2005: Investment securities) | 24,004 | 10,615 | 17,391 | 10,356 |
| Money at call and deposits with financial institutions | 21,900 | 34,291 | 21,900 | 22,433 |
| | 369,878 | 361,480 | 361,663 | 330,210 |
| Amortisation of premium less accretion of discount | 11,472 | 10,141 | 11,486 | 10,141 |
| | 381,350 | 371,621 | 373,149 | 340,351 |

## 45. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

### (m) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (CONT'D.)

(i) Income derived from investment of general investment deposits (Cont'd.)

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Gain on sale of securities available-for-sale | 432 | 2,825 | 174 | – |
| Write back of provision for diminution in value | – | 4,124 | – | – |
| Service charges and fees | 76 | 211 | 76 | 80 |
| | 381,858 | 378,781 | 373,399 | 340,431 |

(ii) Income derived from investment of other deposits

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Finance income and hibah | | | | |
| Financing, advances and other loans | 721,104 | 672,719 | 717,539 | 632,019 |
| Securities available-for-sale (2005: Investment securities) | 53,428 | 22,559 | 38,710 | 22,009 |
| Money at call and deposits with financial institutions | 48,745 | 72,869 | 48,745 | 47,670 |
| | 823,277 | 768,147 | 804,994 | 701,698 |
| Amortisation of premium less accretion of discount | 25,534 | 21,550 | 25,566 | 21,550 |
| | 848,811 | 789,697 | 830,560 | 723,248 |
| Gain on sale of securities available-for-sale | 963 | 6,003 | 388 | – |
| Write back of provision for diminution in value | – | 8,763 | – | – |
| Service charges and fees | 169 | 447 | 169 | 168 |
| | 849,943 | 804,910 | 831,117 | 723,416 |

### (n) ALLOWANCES FOR LOSSES ON FINANCING, ADVANCES AND OTHER LOANS

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Allowance for bad and doubtful debts and financing: | | | | |
| Specific allowance | | | | |
| – Made | 257,678 | 162,000 | 257,678 | 129,592 |
| – Written back | (54,187) | (69,882) | (54,187) | (54,497) |
| General allowance made | 12,871 | 75,344 | 12,871 | 213,465 |
| Bad debts and financing: | | | | |
| – Written off | 35,337 | 17,439 | 35,337 | 17,340 |
| – Recovered | (48,574) | (25,320) | (48,574) | (22,337) |
| | 203,125 | 159,581 | 203,125 | 283,563 |

### (o) INCOME ATTRIBUTABLE TO DEPOSITORS

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Deposits from customers | | | | |
| – Mudharabah Fund | 132,648 | 160,276 | 127,862 | 125,217 |
| – Non-Mudharabah Fund | 202,627 | 171,103 | 202,627 | 171,103 |
| Deposits and placements of banks and other financial institutions | | | | |
| – Mudharabah Fund | 31,677 | 35,102 | 31,677 | 33,161 |
| – Non-Mudharabah Fund | 88,103 | 63,120 | 88,083 | 66,437 |
| | 455,055 | 429,601 | 450,249 | 395,918 |

### (p) GROSS INVESTMENT INCOME

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Other operating income | | | | |
| – Commissions | 39,790 | 32,550 | 39,790 | 32,550 |
| – Service charges and fees | 27,956 | 22,205 | 27,873 | 22,205 |
| – Other fee income | 2,630 | 1,881 | 2,630 | 1,206 |
| | 70,376 | 56,636 | 70,293 | 55,961 |

## 45. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

### (q) OVERHEAD EXPENSES

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Personnel expenses | | | | |
| – Salaries and wages | 9,245 | 8,427 | 9,069 | 8,089 |
| – Social security cost | 98 | 67 | 93 | 66 |
| – Pension cost – Defined contribution plan | 1,465 | 1,322 | 1,437 | 1,261 |
| – Other staff related expenses | 1,365 | 848 | 1,272 | 797 |
| Sub-total | 12,173 | 10,664 | 11,871 | 10,213 |
| Establishment costs | | | | |
| – Depreciation | 1,335 | 1,361 | 1,335 | 1,326 |
| – Information technology expenses | 2,132 | 2,067 | 2,132 | 2,004 |
| – Others | 1,050 | 842 | 1,009 | 864 |
| Sub-total | 4,517 | 4,270 | 4,476 | 4,194 |
| Marketing costs | | | | |
| – Advertisement and publicity | 1,070 | 1,062 | 1,070 | 894 |
| – Others | 406 | 149 | 399 | 148 |
| Sub-total | 1,476 | 1,211 | 1,469 | 1,042 |
| Administration and general expenses | | | | |
| – Fees and brokerage | 2,547 | 2,246 | 2,547 | 2,238 |
| – Administrative expenses | 1,750 | 2,060 | 1,750 | 1,358 |
| – General expenses | 1,187 | 1,229 | 1,187 | 1,228 |
| – Others | 208 | 331 | 122 | 309 |
| Sub-total | 5,692 | 5,866 | 5,606 | 5,133 |
| Total | 23,858 | 22,011 | 23,422 | 20,582 |
| Included in overhead expenses are: | | | | |
| Shariah Committee Members' fee and remuneration | 149 | 65 | 149 | 65 |

### (r) TAXATION

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| Tax expense for the year | 164,326 | 178,449 | 164,200 | 164,100 |
| Deferred tax in relation to origination and reversal of temporary differences (Note 45(e)) | 15,218 | (32,458) | 11,694 | (81,948) |
| | 179,544 | 145,991 | 175,894 | 82,152 |

### (s) COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank and its subsidiaries make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The risk-weighted exposures of the Bank and its subsidiaries as at 30 June are as follows:

| | 2006 | | | 2005 | | |
|---|---|---|---|---|---|---|
| Group and Bank | Notional Amount RM'000 | Credit Equivalent Amount* RM'000 | Risk Weighted Amount* RM'000 | Notional Amount RM'000 | Credit Equivalent Amount* RM'000 | Risk Weighted Amount* RM'000 |
| Direct credit substitutes | 100,865 | 100,865 | 69,352 | 101,056 | 101,056 | 83,088 |
| Certain transaction-related contingent items | 649,437 | 324,718 | 280,615 | 637,123 | 318,562 | 269,100 |
| Short-term self-liquidating trade-related contingencies | 157,424 | 31,485 | 29,577 | 174,534 | 34,907 | 30,708 |
| Islamic housing and hire purchase loans sold to Cagamas Berhad | 1,575,756 | 1,575,756 | 1,351,664 | 747,516 | 747,516 | 508,866 |
| Irrevocable commitments to extend credit: | | | | | | |
| – maturity within one year | 5,679,821 | – | – | 1,006,306 | – | – |
| – maturity exceeding one year | 239,707 | 119,854 | 98,512 | 293,852 | 146,926 | 122,194 |
| Miscellaneous | 138,027 | – | – | 234,517 | – | – |
| | 8,541,037 | 2,152,678 | 1,829,720 | 3,194,904 | 1,348,967 | 1,013,956 |

* The credit equivalent amount and risk weighted amount are arrived at using the credit conversion factors and risk weights, respectively as specified by Bank Negara Malaysia.

## 45. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

### (t) CAPITAL ADEQUACY

The capital adequacy ratios of the Group and the Bank as at 30 June, are as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| **Capital ratio** | | | | |
| Core capital ratio | 9.18% | 10.15% | 8.07% | 6.62% |
| Risk-weighted capital ratio | 13.78% | 14.08% | 12.11% | 10.64% |
| **Tier 1 capital** | | | | |
| Islamic banking fund | 599,880 | 981,747 | 516,002 | 516,002 |
| Other reserves | 1,304,021 | 824,824 | 1,170,260 | 718,391 |
| Less: Deferred tax assets | (235,560) | (235,516) | (234,063) | (230,410) |
| Total Tier 1 capital | 1,668,341 | 1,571,055 | 1,452,199 | 1,003,983 |
| **Tier 2 capital** | | | | |
| Approved capital instruments* | 394,608 | – | 394,608 | – |
| General allowance for bad and doubtful debts and financing | 623,914 | 609,375 | 623,914 | 609,375 |
| Total Tier 2 capital | 1,018,522 | 609,375 | 1,018,522 | 609,375 |
| Limited to 50% of Tier 1 capital | 834,171 | 609,375 | 726,100 | 609,375 |
| Capital base | 2,502,512 | 2,180,430 | 2,178,299 | 1,613,358 |

* Limited to the amount approved by Bank Negara Malaysia.

The breakdown of risk-weighted assets for credit risk (excluding deferred tax assets) in the various categories of risk-weights are as follows:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Principal RM'000 | Risk-Weighted RM'000 | Principal RM'000 | Risk-Weighted RM'000 |
| **Group** | | | | |
| 0% | 3,019,399 | – | 4,090,981 | – |
| 10% | 11,800 | 1,180 | 153,859 | 15,386 |
| 20% | 2,089,080 | 417,816 | 2,297,067 | 459,413 |
| 50% | 5,658,936 | 2,829,468 | 5,990,500 | 2,995,250 |
| 100% | 14,918,152 | 14,918,152 | 12,005,913 | 12,005,913 |
| | 25,697,367 | 18,166,616 | 24,538,320 | 15,475,962 |
| **Bank** | | | | |
| 0% | 2,734,736 | – | 3,818,093 | – |
| 10% | 11,800 | 1,180 | 153,859 | 15,386 |
| 20% | 2,050,480 | 410,096 | 1,929,653 | 385,931 |
| 50% | 5,658,936 | 2,829,468 | 5,990,500 | 2,995,250 |
| 100% | 14,749,847 | 14,749,847 | 11,753,928 | 11,753,928 |
| | 25,205,799 | 17,990,591 | 23,646,033 | 15,150,495 |

## 45. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

### (u) FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the balance sheet date approximate their carrying amounts as shown in the balance sheets, except for the following financial assets and liabilities:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Carrying Value RM'000 | Fair Value RM'000 | Carrying Value RM'000 | Fair Value RM'000 |
| **Group** | | | | |
| **Financial Assets** | | | | |
| Securities held-to-maturity | 224,731 | 224,753 | – | – |
| Investment securities | – | – | 3,401,307 | 3,422,396 |
| Loans and financing* | 17,301,268 | 14,442,531 | 16,662,133 | 16,548,775 |
| **Financial Liabilities** | | | | |
| Deposits from customers | 13,593,658 | 13,454,658 | 15,335,991 | 15,345,571 |
| **Bank** | | | | |
| **Financial Assets** | | | | |
| Securities held-to-maturity | 186,400 | 185,154 | – | – |
| Investment securities | – | – | 3,019,940 | 3,031,871 |
| Loans and financing* | 17,301,268 | 14,442,531 | 16,662,133 | 16,548,775 |
| **Financial Liabilities** | | | | |
| Deposits from customers | 13,366,701 | 13,416,584 | 15,044,703 | 15,054,282 |

* The general allowance for the Group and the Bank amounting to RM623,914,000 (2005: RM609,375,000) and RM623,914,000 (2005: RM609,375,000) respectively have been added back to arrive at the carrying value of the loans, advances and financing.

The methods and assumptions used to estimate the fair values of the financial assets and financial liabilities of IBS operations are as stated in Note 40.

### (v) SHARIAH COMMITTEE

The operation of IBS is governed by Section 124(3) of the Banking and Financial Institutions Act, 1989 ("the Act"), which stipulates that "any license institution carrying on Islamic financial business, in addition to its existing licensed business may, from time to time seek the advise of the Shariah Advisory Council (SAC) established under subsection (7) of the Act, on the operations of its business in order to ensure that it does not involve any element which is not approved by the Religion of Islam" and Section IV of BNM's "Guidelines on the Governance of Shariah Committee for The Islamic Financial Institutions" known as BNM/GPS 1, stipulates that "Every Islamic institution is required to establish a Shariah Committee".

Based on the above, the duties and responsibilities of the Group's Shariah Committee are to advise on the overall Islamic Banking operations of the Group's business in order to ensure compliance with the Shariah requirements.

(a) To advise the Board on Shariah matters in its business operations.

(b) To endorse Shariah Compliance Manuals.

(c) To endorse and validate relevant documentations.

(d) To assist related parties on Shariah matters for advice upon request.

(e) To advise on matters to be referred to the SAC.

(f) To provide written Shariah opinion.

The Shariah Committee at the group level has three members. All of them are also members of Shariah Committee of Mayban Takaful Berhad.

### (w) ALLOCATION OF INCOME

The policy of allocation of income to the various types of deposits and investments is subject to "The Framework on Rate of Return" issued by Bank Negara Malaysia in October 2001. The objective is to set the minimum standard and terms of reference for the Islamic banking institutions in calculating and deriving the rate of return for the depositors.

## 46. LIFE, GENERAL TAKAFUL AND FAMILY TAKAFUL FUNDS' BALANCE SHEET AS AT 30 JUNE 2006

| Group | 2006 | | | | 2005 | | | |
|---|---|---|---|---|---|---|---|---|
| | Life Fund RM'000 | Family Takaful Fund RM'000 | General Takaful Fund RM'000 | Total RM'000 | Life Takaful Fund RM'000 | Family Takaful Fund RM'000 | General Takaful Fund RM'000 | Total RM'000 |
| **ASSETS** | | | | | | | | |
| Property, plant and equipment | 12,940 | 3,007 | 7,645 | 23,592 | 7,307 | – | – | 7,307 |
| Investments | 6,425,821 | 2,708,136 | 343,730 | 9,477,687 | 2,106,819 | 56,375 | 13,433 | 2,176,627 |
| Loans | 254,941 | 42,119 | 1,901 | 298,961 | 59,319 | – | – | 59,319 |
| Receivables | 121,267 | 81,010 | 48,755 | 251,032 | 42,773 | 2,959 | 1,372 | 47,104 |
| Cash and bank balances | 52,399 | 29,058 | 18,633 | 100,090 | 4,905 | 5,018 | 2,436 | 12,359 |
| Deferred tax assets | 2,987 | 2,454 | 1,401 | 6,842 | – | – | – | – |
| Investment-linked business assets | 1,795,286 | 167,198 | – | 1,962,484 | 1,232,551 | 65,389 | – | 1,297,940 |
| | 8,665,641 | 3,032,982 | 422,065 | 12,120,688 | 3,453,674 | 129,741 | 17,241 | 3,600,656 |
| **LIABILITIES** | | | | | | | | |
| Provision for outstanding claims | 20,372 | 37,406 | 123,836 | 181,614 | 16,020 | 568 | 6,097 | 22,685 |
| Other liabilities | 278,325 | 135,430 | 89,167 | 502,922 | 92,799 | 1,748 | 3,274 | 97,821 |
| | 298,697 | 172,836 | 213,003 | 684,536 | 108,819 | 2,316 | 9,371 | 120,506 |
| Life, general takaful and family takaful policy holders' funds | 8,366,944 | 2,860,146 | 209,062 | 11,436,152 | 3,344,855 | 127,425 | 7,870 | 3,480,150 |
| | 8,665,641 | 3,032,982 | 422,065 | 12,120,688 | 3,453,674 | 129,741 | 17,241 | 3,600,656 |

## 46. LIFE, GENERAL TAKAFUL AND FAMILY TAKAFUL FUNDS' BALANCE SHEET AS AT 30 JUNE 2006 (CONT'D.)

(i) The operating revenue generated from the life insurance, general takaful and family takaful businesses of the Group for the financial year amounted to approximately RM2,467,302,000 (2005: RM1,242,352,000).

(ii) The estimated fair values of financial assets and financial liabilities of the life, general takaful and family takaful funds as at the balance sheet date approximate their carrying amounts as shown in the balance sheets, except for the following financial assets and liabilities:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Carrying Value RM'000 | Fair Value RM'000 | Carrying Value RM'000 | Fair Value RM'000 |
| **Group** | | | | |
| Investments | **9,477,687** | **9,580,337** | 2,176,628 | 2,240,975 |

The methods and assumptions used to estimate the fair values of the financial assets and financial liabilities of the life, general takaful and family takaful funds are as stated in Note 40.

## 47. CHANGES IN ACCOUNTING POLICIES AND TRANSITIONAL ADJUSTMENTS

The effects of the transitional adjustments to opening retained profits, unrealised holding reserves, relevant balance sheet items and net profit for the current financial year of the Group and of the Bank arising from the changes in accounting policies as stated in Note 3(ii) are as follows:

(i) Effects on opening retained profits

| | Group RM'000 | Bank RM'000 |
|---|---|---|
| As at 30 June/1 July 2005, as previously reported | 7,149,183 | 5,996,652 |
| Effects of adopting fair value accounting for securities held-for-trading and derivatives | (141,893) | (160,798) |
| Effects of impairment loss on securities available-for-sale, previously net against unrealised gains not recognised on a portfolio basis | (56,924) | (56,924) |
| Effects of deferred tax | 55,669 | 60,962 |
| As at 30 June/1 July 2005, as restated | 7,006,035 | 5,839,892 |

(ii) Effects on unrealised holding reserves

| | Group RM'000 | Bank RM'000 |
|---|---|---|
| As at 30 June/1 July 2005, as previously reported | – | – |
| Effects of adopting fair value accounting for securities available-for-sale | 482,181 | 469,749 |
| Effects of deferred tax | (135,011) | (131,530) |
| As at 30 June/1 July 2005, as restated | 347,170 | 338,219 |

(iii) Effects on relevant balance sheet items

| | Group As at 30 June/1 July | | Bank As at 30 June/1 July | |
|---|---|---|---|---|
| | As previously reported RM'000 | As restated RM'000 | As previously reported RM'000 | As restated RM'000 |
| **Securities portfolio:** | | | | |
| Securities held-for-trading | – | 643,656 | – | 230,617 |
| Securities available-for-sale | – | 22,193,524 | – | 18,749,764 |
| Securities held-to-maturity | – | 5,920,563 | – | 3,617,545 |
| Dealing securities | 629,110 | – | 230,617 | – |
| Investment securities | 27,631,906 | – | 21,897,560 | – |
| | 28,261,016 | 28,757,743 | 22,128,177 | 22,597,926 |
| **Loans, advances and financing:** | | | | |
| Gross loans, advances and financing before unearned interest and income | 139,370,762 | 137,860,380 | 134,666,015 | 133,198,609 |
| Unearned interest and income | (11,914,492) | (11,914,492) | (11,871,161) | (11,871,161) |
| Gross loans, advances and financing | 127,456,270 | 125,945,888 | 122,794,854 | 121,327,448 |
| Allowance for bad and doubtful debts/financing | | | | |
| – Specific | (3,541,718) | (3,541,718) | (3,249,740) | (3,249,740) |
| – General | (2,810,356) | (2,810,356) | (2,596,076) | (2,596,076) |
| Interest/income in-suspense | (1,510,382) | – | (1,467,406) | – |
| Net loans, advances and financing | 119,593,814 | 119,593,814 | 115,481,632 | 115,481,632 |

## 47. CHANGES IN ACCOUNTING POLICIES AND TRANSITIONAL ADJUSTMENTS (CONT'D.)

(iii) Effects on relevant balance sheet items (Cont'd.)

| | Group As at 30 June/1 July | | Bank As at 30 June/1 July | |
|---|---|---|---|---|
| | As previously reported RM'000 | As restated RM'000 | As previously reported RM'000 | As restated RM'000 |
| **Deferred taxation:** | | | | |
| Deferred tax assets | 963,946 | 884,604 | 911,752 | 841,184 |
| **Other assets:** | | | | |
| Derivative assets | 6,083 | 169,097 | 6,083 | 164,738 |
| **Other liabilities:** | | | | |
| Derivative liabilities | 8,486 | 327,939 | 8,486 | 327,939 |

(iv) Effects on net profit for the current financial year

| | Group RM'000 | Bank RM'000 |
|---|---|---|
| Net profit before changes in accounting policies | 2,518,702 | 2,222,091 |
| Effects of adopting the fair value measurements for securities held-for-trading and derivatives held for economic hedging | 284,896 | 298,107 |
| As reported in the current financial year | 2,803,598 | 2,520,198 |

## 48. COMPARATIVES

The following comparative figures have been reclassified to conform to the current financial year's presentation.

| | Group | | Bank | |
|---|---|---|---|---|
| | As previously stated RM'000 | As restated RM'000 | As previously stated RM'000 | As restated RM'000 |
| **Loans, advances and financing:** | | | | |
| Term loans | | | | |
| – Housing loans/financing | – | 21,411,589 | – | 21,411,589 |
| – Syndicated loan/financing | – | 6,386,177 | – | 4,067,302 |
| – Hire purchase receivables | – | 20,330,522 | – | 20,181,992 |
| – Lease receivables | – | 24,892 | – | 3,628 |
| – Other loans/financing | – | 33,685,038 | – | 32,048,793 |
| – Fixed rate | 5,410,182 | – | 5,165,004 | – |
| – Floating rate | 80,731,590 | – | 76,554,327 | – |
| Hire purchase and block discounting receivables | 20,181,854 | – | 20,033,325 | – |
| Floor stocking receivables | 148,668 | – | 148,668 | – |
| Lease receivables | 24,892 | – | 3,628 | – |
| Factored receivables | 92,791 | – | 92,612 | – |
| Loans/financing to banks and other financial institutions | – | 10,791,663 | – | 10,776,311 |
| Revolving credits | – | 13,960,097 | – | 13,507,949 |
| **Deposits from customers:** | | | | |
| Fixed deposits and negotiable instruments of deposits | | | | |
| – One year or less | – | 78,743,307 | – | 66,983,183 |
| – More than one year | – | 3,373,895 | – | 3,157,274 |
| Fixed deposits | 76,880,060 | – | 64,903,315 | – |
| Negotiable instruments of deposits | 5,237,142 | – | 5,237,142 | – |
| **Deposits and placements of banks and other financial institutions:** | | | | |
| Licensed discount houses | 94,600 | – | 94,600 | – |
| Other financial institutions | 4,694,738 | 4,789,338 | 3,910,700 | 4,005,300 |
| **Interest income:** | | | | |
| Loans, advances and financing | 5,938,258 | – | 5,363,343 | – |
| – Interest income other than recoveries from NPL | – | 5,484,661 | – | 4,960,367 |
| – Recoveries from NPL | – | 453,597 | – | 402,976 |

## 49. DETAILS OF SUBSIDIARIES AND ASSOCIATES

(a) Details of the subsidiaries are as follows:

| Name of Company | Principal Activities | Country of Incorporation | Issued and Paid-up Share Capital 2006 RM | Issued and Paid-up Share Capital 2005 RM | Effective Interest 2006 % | Effective Interest 2005 % |
|---|---|---|---|---|---|---|
| **Banking** | | | | | | |
| PT Bank Maybank Indocorp [8] | Banking | Indonesia | 493,819,000,000 [1] | 493,819,000,000 [1] | 93.9 | 93.9 |
| Maybank International (L) Ltd. | Offshore banking | Malaysia | 10,000,000 [2] | 10,000,000 [2] | 100.0 | 100.0 |
| Maybank (PNG) Limited [9] | Banking | Papua New Guinea | 5,000,000 [3] | 5,000,000 [3] | 100.0 | 100.0 |
| Maybank Philippines, Incorporated [8] | Banking | Philippines | 3,147,156,390 [4] | 3,147,156,390 [4] | 99.97 | 99.97 |
| **Finance** | | | | | | |
| Myfin Berhad | Ceased operations | Malaysia | 551,250,000 | 551,250,000 | 100.0 | 100.0 |
| Sifin Berhad | Under member's voluntary liquidation | Malaysia | 100,000,000 | 100,000,000 | 100.0 | 100.0 |
| Aseamlease Berhad | Leasing | Malaysia | 20,000,000 | 20,000,000 | 100.0 | 100.0 |
| Mayban Allied Credit & Leasing Sdn. Bhd. | Financing | Malaysia | 10,000,000 | 10,000,000 | 100.0 | 100.0 |
| Aseam Credit Sdn. Bhd. | Hire purchase | Malaysia | 20,000,000 | 20,000,000 | 100.0 | 100.0 |
| Mayban Factoring Berhad | Factoring | Malaysia | 2,000,000 | 2,000,000 | 100.0 | 100.0 |
| **Insurance** | | | | | | |
| Mayban Fortis Holdings Berhad | Investment holding | Malaysia | 236,173,540 [10] | 170,570,000 | 70.0 | 70.0 |
| Mayban Life Assurance Bhd. | Life insurance | Malaysia | 100,000,000 | 100,000,000 | 62.0 | 62.0 |
| Mayban Life International (Labuan) Ltd. | Offshore investment-linked insurance | Malaysia | 3,500,000 [2] | 3,500,000 [2] | 62.0 | 62.0 |
| Mayban General Assurance Berhad | General insurance | Malaysia | 178,171,233 | 178,171,233 | 64.8 | 64.8 |
| Mayban Takaful Berhad | Takaful insurance | Malaysia | 100,000,000 | 100,000,000 | 70.0 | 70.0 |
| Malaysia National Insurance Bhd | General insurance | Malaysia | 152,351,399 [11] | – | 70.0 [11] | – |
| Takaful Nasional Insurance Bhd | Takaful insurance | Malaysia | 100,000,000 [11] | – | 70.0 [11] | – |
| TN Overseas Investment Co (L) Ltd | Investment holding | Malaysia | 1 [2,11] | – | 70.0 [11] | – |
| MNI Offshore Insurance (L) Ltd | Offshore general reinsurance | Malaysia | 2,500,000 [7,11] | – | 70.0 [11] | – |
| MNI Life International (L) Ltd | Offshore life insurance | Malaysia | 4,000,000 [2,11] | – | 70.0 [11] | – |
| Peram Ranum Bhd | Dormant | Malaysia | 60,000,000 [11] | – | 70.0 [11] | – |
| Double Care Sdn Bhd | Investment holding | Malaysia | 100,000,000 [11] | – | 70.0 [11] | – |
| **Investment Banking** | | | | | | |
| Aseambankers Malaysia Berhad | Merchant banking | Malaysia | 50,116,000 | 50,116,000 | 94.7 [12] | 79.7 |
| Mayban Securities (Holdings) Sendirian Berhad | Investment holding | Malaysia | 162,000,000 | 162,000,000 | 100.0 | 100.0 |
| Mayban Securities Sendirian Berhad | Stockbroking | Malaysia | 124,000,000 | 124,000,000 | 100.0 | 100.0 |
| Mayban Discount Berhad | Discount house | Malaysia | 45,000,000 | 45,000,000 | 98.4 [13] | 93.9 |
| Mayban Futures Sdn. Bhd. | Ceased operations | Malaysia | 10,000,000 | 10,000,000 | 100.0 | 100.0 |
| Mayban Securities (HK) Limited [8] | Stockbroking | Hong Kong | 30,000,000 [6] | 30,000,000 [6] | 100.0 | 100.0 |
| Mayban Securities (Jersey) Limited [9] | Investment holding | United Kingdom | 2 [7] | 2 [7] | 100.0 | 100.0 |
| PhileoAllied Securities (Philippines) Inc. [8] | Stockbroking | Philippines | 21,875,000 [4] | 21,875,000 [4] | 100.0 | 100.0 |
| Budaya Tegas Sdn. Bhd. | Under member's voluntary liquidation | Malaysia | 2 | 2 | 100.0 | 100.0 |
| **Asset Management/Trustees/Custody** | | | | | | |
| Mayban Indonesia Berhad | Ceased operations | Malaysia | 5,000,000 | 5,000,000 | 100.0 | 100.0 |
| Mayban Unit Trust Berhad | Unit trust fund management | Malaysia | 4,000,000 | 4,000,000 | 98.67 [13] | 94.9 |
| Mayban International Trust (Labuan) Berhad | Under member's voluntary liquidation | Malaysia | 150,000 | 150,000 | 100.0 | 100.0 |
| Mayban Offshore Corporate Services (Labuan) Sdn. Bhd. | Under member's voluntary liquidation | Malaysia | 2 | 2 | 100.0 | 100.0 |
| Mayban Trustees Berhad | Trustee services | Malaysia | 500,000 | 500,000 | 100.0 | 100.0 |
| Mayban Ventures Sdn. Bhd. | Venture capital | Malaysia | 14,000,000 | 14,000,000 | 98.41 [13] | 93.9 |
| Mayban Venture Capital Company Sdn. Bhd. | Venture capital | Malaysia | 2 | 2 | 100.0 | 100.0 |
| Mayban-JAIC Capital Management Sdn. Bhd. | Investment advisory and administration services | Malaysia | 2,000,000 | 2,000,000 | 50.19 [13] | 47.9 |
| Mayban Investment Management Sdn. Bhd. | Fund management | Malaysia | 5,000,000 | 5,000,000 | 97.96 [13] | 92.2 |
| Philmay Property, Inc. [8] | Property leasing and trading | Philippines | 100,000,000 [4] | 100,000,000 [4] | 60.0 | 60.0 |
| Mayban (Nominees) Sendirian Berhad | Nominee services | Malaysia | 31,000 | 31,000 | 100.0 | 100.0 |
| Mayban Nominees (Tempatan) Sdn. Bhd. | Nominee services | Malaysia | 10,000 | 10,000 | 100.0 | 100.0 |
| Mayban Nominees (Asing) Sdn. Bhd. | Nominee services | Malaysia | 10,000 | 10,000 | 100.0 | 100.0 |
| Mayban Nominees (Singapore) Private Limited [8] | Nominee services | Singapore | 60,000 [5] | 60,000 [5] | 100.0 | 100.0 |
| Mayban Nominees (HongKong) Limited [8] | Nominee services | Hong Kong | 3 [6] | 3 [6] | 100.0 | 100.0 |
| Aseam Malaysia Nominees (Tempatan) Sdn. Bhd. | Nominee services | Malaysia | 10,000 | 10,000 | 94.7 [13] | 79.7 |
| Aseam Malaysia Nominees (Asing) Sdn. Bhd. | Nominee services | Malaysia | 10,000 | 10,000 | 94.7 [13] | 79.7 |
| Mayfin Nominees (Tempatan) Sdn. Bhd. | Nominee services | Malaysia | 10,000 | 10,000 | 100.0 | 100.0 |
| Mayban Securities Nominees (Tempatan) Sdn. Bhd. | Nominee services | Malaysia | 10,000 | 10,000 | 100.0 | 100.0 |
| Mayban Securities Nominees (Asing) Sdn. Bhd. | Nominee services | Malaysia | 10,000 | 10,000 | 100.0 | 100.0 |
| AFMB Nominees (Tempatan) Sdn. Bhd. | Under member's voluntary liquidation | Malaysia | 10,000 | 10,000 | 100.0 | 100.0 |
| Mayban Allied Berhad | Investment holding | Malaysia | 753,908,638 | 753,908,638 | 100.0 | 100.0 |
| Anfin Berhad | Under member's voluntary liquidation | Malaysia | 106,000,000 | 106,000,000 | 100.0 | 100.0 |
| Mayban Allied Property Holdings Sdn. Bhd. | Dormant | Malaysia | 2,000,000 | 2,000,000 | 100.0 | 100.0 |
| Maysec (Ipoh) Sdn. Bhd. | Under member's voluntary liquidation | Malaysia | 100,000,000 | 100,000,000 | 100.0 | 100.0 |
| Maysec Nominees (Asing) Sdn. Bhd. [9] | Liquidated | Malaysia | – | 2 | – | 100.0 |
| Maysec Nominees (Tempatan) Sdn. Bhd. [9] | Liquidated | Malaysia | – | 2 | – | 100.0 |
| Mayban P.B. Holdings Sdn. Bhd. | Property investment | Malaysia | 1,000,000 | 1,000,000 | 100.0 | 100.0 |
| Mayban Property (PNG) Limited [9] | Property investment | Papua New Guinea | 2 [3] | 2 [3] | 100.0 | 100.0 |
| Mayban International Trust (Labuan) Ltd. | Trustee services | Malaysia | 40,000 [2] | 40,000 [2] | 100.0 | 100.0 |
| MNI Holdings Berhad | Investment holding | Malaysia | 285,327,725 [11] | – | 70 [11] | – |

Note:
*(1) Indonesia Rupiah (IDR)*
*(2) United States Dollars (USD)*
*(3) Papua New Guinea Kina (Kina)*
*(4) Philippines Peso (Peso)*
*(5) Singapore Dollars (SGD)*
*(6) Hong Kong Dollars (HKD)*
*(7) Great Britain Pound (GBP)*
*(8) Audited by firms affiliated with Ernst & Young.*
*(9) Audited by firms of auditors other than Ernst & Young.*
*(10) Increase as a results of rights issue which was subscribed proportionately between the Bank and the minority shareholders.*
*(11) Acquisition of MNI Holdings Berhad Group via a subsidiary, Mayban Fortis Holdings Berhad (Note 44(a)).*
*(12) Increase as a result of additional interest acquired by the Bank from minority shareholders (Note 44(b)).*
*(13) Increase as a result of the additional interest acquired in Aseambankers Malaysia Berhad (Note 44(b)).*

(b) Details of the associates are as follows:

| Name of Company | Principal Activities | Country of Incorporation | Effective Interest 2006 % | Effective Interest 2005 % |
|---|---|---|---|---|
| Computer Recovery Centre Sdn. Bhd.# | Computer disaster recovery services | Malaysia | – | 45% |
| UzbekLeasing International A. O. | Leasing | Uzbekistan | 35% | 35% |
| Philmay Holding, Inc. | Investment holding | Philippines | 33% | 33% |
| Baiduri Securities Sdn. Bhd. | Under members' voluntary liquidation | Brunei | 39% | 39% |
| TX 123 Sdn. Bhd. | E-commerce business | Malaysia | 50% | 50% |
| Pelaburan Hartanah Nasional Berhad | Property trust | Malaysia | 30% | 30% |
| Pak-Kuwait Takaful Company Limited* | Investment holding | Pakistan | 17.5% | – |

\# Equity interest in the Company was disposed off during the year (Note 12(a)).
* The company becomes an associate of the Group through the acquisition of MNIH by MFHB as disclosed in Note 44(a).

## 50. CURRENCY

All amounts are in Ringgit Malaysia unless otherwise stated.

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